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FOR BOOKS ON ECONOMICS

1618.

Fourth Edition.

THE PRINCIPLES OF CURRENCY AND EXCHANGE

ILLUSTRATED BY

OBSERVATIONS UPON THE STATE OF THE CURRENCY OF IRELAND,

THE HIGH RATES

OF EXCHANGE BETWEEN DUBLIN AND LONDON,

AND THE

REMITTANCES OF RENTS TO IRISH ABSENTEES.

BY

HENRY PARNELL, Esq.

LONDON:

PRINTED FOR J. BUDD, CROWN AND MITRE, PALL-MALL.

1805.

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The Title of the present Edition has been made to differ from that of the preceding Editions, in consequence of the whole Work having been enlarged and revised, in such a manner as to render it more illustrative of the general Principles of Currency and Exchange.

March 25, 1804.

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THE

PRINCIPLES, &c.

ON CURRENCY.

IF it had been made a supposition, that the national Bank of Ireland should increase the issues of its paper nearly five times beyond their original amount, would it not have occurred to the plainest understanding, that a great depreciation, and a discount on its paper, must have been the consequence? Such an increase has taken place; and what might have been expected from theory, is at present amply substantiated by fact. The Bank of Ireland has increased its issues to near five times their original amount; a depreciation has taken

place; and a discount been established of at least 10 per cent.

Whatever difference of opinion may have existed relative to the question of depreciation, as it regards the currency of England, there is no doubt that under such circumstances the currency of Ireland has suffered a most serious depreciation. The advocates of the Bank of England maintained, that, because there was no discount on its paper, there could be no depreciation; which, though an incorrect mode of reasoning, is a proof, that, had there been a discount, they would have granted a depreciation to exist. That there is a discount on Irish Bank paper is known to every one, and proclaimed daily* in every newspaper by the different advertisements for buying and selling guineas. It is not therefore necessary to adopt the arguments which were resorted to in

* The period referred to throughout this work, is that of the publication of the first edition, Feb. 1804.

England, to prove a depreciation of paper, in order to make evident the existence of a depreciation in Ireland. It is only requisite to follow them so far as is necessary to show, that the cause of it is an excessive issue of Bank of Ireland paper, and to explain the degree of depreciation which has actually taken place.

The value which the paper has lost in comparison with the value of specie into which it was formerly convertible, can only be attributed to the same cause which lessens the value of every article of sale, barter, or exchange, namely, more of it being brought to market than the demand requires. The surplus above that quantity which is requisite for carrying on the various operations of trade, receipts, and payments, necessarily contributes to diminish the value of the whole in circulation, and to enhance, in a proportionate degree, the prices of all things.

This is a principle upon which all the writers on commerce, both practical and

speculative, are agreed; they have thought it so undeniable, as to require no particular illustration, and have rather assumed it as an obvious truth, than as a proposition which depended upon inference.*

It is in this manner that the discount on Irish paper has taken place; as it will fully appear, upon examining the returns which have been made to parliament by the directors of the Bank of Ireland, that the proportion of notes now in circulation is excessive in amount, in comparison with that which was in circulation immediately previous to the restriction of cash payments; and as it also will appear, that the ratio of their increase is likewise excessive with that of the increase of the Bank of England notes during the same period.

It is stated in the returns presented to the House of Lords, Feb. 1803, that the amount of notes in circulation in Jan. 1797,

* Edinburgh Reviewers. Vol. 1. 179.

was 621,917*l.*--April 1st, 1801, 2,266,471*l.* ----June 1st, 1802, 2,678,980*l.*----Feb. 1st, 1803, 2,633,864*l.* And by a second return, dated Dec. 12th, 1803, it appears that the amount of the notes in circulation in November last, was 2,911,628*l.* The increase, therefore, in six years and eleven months, is, 2,289,711*l.* the total amount in circulation in November, 1803; wanting only 197,957*l.* of being five times as great as it was in 1797.*

This simple statement is sufficient to prove the excess of issues which exists.

It appears by similar returns, that in May, 1797, the Bank of England notes in circulation amounted to 11,103,880*l.* the Bank of Ireland notes to 621,917*l.* In November, 1803, the former amounted to 17,931,930*l.* the latter to 2,911,628*l.* The increase of the one is less than two thirds of the original amount. The increase

* Vide Note, p. 6.

of the other is nearly five-fold.* The ratio therefore of the increase in Ireland greatly exceeds the ratio of the increase in England, and exhibits additional testimony of the excessive issue of Bank of Ireland paper. As the trade, the revenue, and the expen-

* This calculation is taken from the returns made to the House of Lords, Feb. 14, 1804---and former returns made to Parliament.

Bank of England notes in circulation May 1797	11,103,880
Add two thirds of this sum	7,402,586
	18,506,466
Deduct amount of notes in circulation Nov. 25, 1803	17,931,930
Increase less than two thirds by	574,536

Bank of Ireland notes in circulation Jan. 1st, 1797	621,917
Add two thirds	414,619
	1,036,536
Notes in circulation Nov. 25, 1803	2,911,628
Increase greater than two thirds by	1,875,101

It will be found upon calculating the proportions between the present and former quantities of notes in circulation, that whilst the quantity in England has not increased two thirds by 574,536*l.* the quantity in Ireland, had it been only 197,957*l.* greater than it is, would be exactly five times greater than it was Jan. 1st, 1797.

diture of England, during these last six years, have increased in a much greater degree than the trade, revenue, and expenditure of Ireland, no other conclusion can be drawn from this comparison of the ratios of the increase of issues, than that the issues of the Bank of Ireland have been equally unnecessary and excessive.

But this excess is not only to be considered as adding so much paper of the Bank of Ireland to the circulating medium, but further as the cause of the increased issue of private Bank paper, in the proportion of 10*l.* or perhaps 20*l.* for every pound which the Bank issues, beyond what the demand for circulation requires. For it is obvious, that the private bankers, being under the necessity of paying their own notes with those of the Bank of Ireland, they must regulate the issues of them according to the quantity which they can command; and therefore that they will increase their issues, which are the sources of their profits, in proportion as the national Bank paper is excessive.

If then the private Bankers have issued their paper in the proportion of 800*l.* to every 100*l.* of Bank of Ireland paper, the total amount of Paper in circulation would be 20,607,399*l.* And as Dr. Smith supposes, that a Banker with 10,000*l.* capital, may issue 40,000*l.* in paper,* though payable in specie, it is not assuming too much to estimate, that, under the circumstance of payment in National Bank paper, and the present system of discounting, the proportion of issues may be advanced from four, as high as to eight to one. It will not, therefore, appear so very extraordinary, taking the capital of all the private Bankers at 2,911,628*l.* to suppose, that the amount of paper actually in circulation in Ireland exceeds twenty millions.

Though this sum may appear to exceed the limits of possibility, yet the reasoning and facts upon which is estimated, convey a tolerable accurate idea of the extent to which the paper

* Wealth of Nations, Vol. i. 450.

system may be carried; and with respect immediately to Ireland, whereof the circulating medium, before the restriction of cash payments, has never been estimated at above 5,000,000*l.** there is every ample proof obtained of the paper in circulation being vastly disproportionate with the efficient demand.

By the fact of a discount of 10 per cent. having been the consequence of an excessive issue of paper in Ireland, the danger of removing the optionary power of the holder of it to convert it into specie, is fully exemplified; and though the conduct of the directors of the Bank of Ireland may be considered the proximate cause of the depreciation, the primary cause is evidently the abolishing of this power by the Bank restriction law.

The advocates for continuing the restriction in Great Britain will do well to examine with attention, what has been al-

* Evidence of Irish Exch. Com. p. 97.

ready the result of this measure in Ireland; for, if they compare the relative situations of both countries, they will find that there does not exist any real protection from the same consequences attending it in this country. The national Bank of England is precisely similar as to its institution, to the national Bank of Ireland; and no doubt the directors of the former are as much alive to their private interests as the directors of the latter. The trade and revenue therefore of the whole kingdom, and the property of every one, is totally dependent upon them. And so long as the restriction continues, the value of every thing rests entirely upon the upright or selfish manner in which they may please to regulate the circulating medium.

ON THE

PAR AND RATES OF EXCHANGE.

THE plainest understanding might have foreseen, that a depreciation of Bank paper, and a discount upon it, would have been the consequence of multiplying its quantity in any considerable degree beyond the actual demand; the effect of this upon the course of exchange is next to be considered. What are the facts? Previous to May, 1796, the exchange between London and Dublin had fluctuated, during eight years, between 7¼ and 9 per cent.* During the latter months of 1797, exchange was so low as 6 per cent.† The amount of notes

* This period is taken, as the rates in the Appendix refer only to 1789.

† See Note to Appendix, No. I.

in circulation the beginning of that year was only 621,917*l.* In April, 1801, the amount of notes had advanced to 2,266,471*l.* and exchange to 14 per cent.; in November, 1803, the notes advanced in amount to 2,911,628*l.* and exchange to 19 per cent. steadily remaining above 16 per cent. for the last six months of 1803; except during the periods in which it was influenced by the Treasury drawing for the Loan on London.

By this statement it appears, that the exchange previous to the restriction was, on an average, below par; that it had not been so high as 14 per cent. until the year 1801, when the amount of the notes in circulation wanted little more than 200,000*l.* of being four times greater than it was when the restriction first took place; that in 1803, the amount was near five times greater than it was at that period, and exchange 19 per cent.

Apparently, therefore, there is every reason to think, that the depreciation of

paper is the cause of the present high rate of exchange.

But, in order that the reasoning upon which this is explained to be the case, may be fully understood, the reader is requested to pay particular attention to the nature of the par of exchange, and the inferences that may fairly be deducted from it. A clear definition of this point will remove the difficulties with which the subject of exchange has been embarrassed, by being discussed abstrusely. It can only be attributed to the want of this attention on the part of the several authors who have written on this subject, that they have not succeeded in impressing their readers with a clear conception of the nature of exchange, and in clearing up the doubts and obscurity which still exist, notwithstanding their works have contributed so much to advance commercial science.

The par of exchange between different countries, is the comparison of the value of their respective currencies; when these

currencies are of permanent value, a permanent per-centage will express the par of their mutual exchange of currency. Thus, whilst guineas were the standard of the value of English and Irish currencies, the fixed and acknowledged par of exchange was 8⅓ per cent. being the exact difference between the number of pounds, shillings, and pence, contained in a guinea, in the regulated currency of Ireland and in that of England.* According to this definition, if after any fixed par of exchange has been fixed between two countries, the currency of either country shall have become of a greater or less value, the variations in the rates of exchange above or below par will necessarily depend upon, and be in proportion to, the variation in the value of the currency; and therefore it may be inferred, in perfect consistency with the

* This difference in the currencies arises from a difference in the copper coin; 12*d.* in England, and 13*d.* in Ireland, make a shilling; and therefore £100 English, is equal to £108 6*s.* 8*d.* Irish; the par of exchange is 8⅓ per centum.

strictest rules of logic, that any circumstances which alter the value of currency must, *ex vi tirmini*, alter the par and rates of exchange. Thus, if a practice of debasing coin had at any time become so general, as to diminish the value of all the coin in circulation in Ireland, 10 per cent. whilst at the same time no such practice existed in England, it would be evident that 8⅓ per cent. would not express the par of exchange between England and Ireland; the par, under the new circumstances of the Irish currency, would be exactly 18⅓ per cent. But if, instead of the coin having been debased, it had disappeared, and a currency of paper been introduced in its place, of a value less than that of the currency of specie by 10 per cent. it is equally evident the par of exchange with England would become 18⅓ per cent.* As specie has actually disappeared, and as a currency of paper supplies its place, of an inferior value by 10 per

* Guineas bear a premium of 10 per cent.; this is the rate at which they are now selling at Mr. Frank's office, in Suffolk-street, Dublin, February, 1804.

cent. it is clearly erroneous now to say, if the exchange of Dublin on London is 10½ per cent. that it is 8 per cent. above par; the fact is, it is 2 per cent. below par, and it is therefore a fact, that under the existing circumstances of the currency of Ireland, an exchange of 16 per cent. is a proof of a balance of trade and remittances in favour of Ireland. The state and variations therefore of currencies are in this case, and oftentimes, the principal agents in producing variations in exchange; and where the variations are very great, unusual, and after some time cease, leaving exchange very different to what it generally had been, it is then certain, that some great alteration in currency has happened.

The correctness of the foregoing theory is fully corroborated; in the first place, by the universal concurrence of all writers in respect to the definition which has been given of the par of exchange; and, secondly, by facts of the most unquestionable and conclusive nature. In the reign of king William, be-

fore the reformation of the silver coin, the exchange between England and Holland was 25 per cent. against England; but the value of the current coin was at that time rather more than 25 per cent. below its standard value. Before the reformation of gold, in 1772, the market price of bullion exceeded the mint price, and the rate of foreign exchange was depressed; even the exchange with France was 2 or 3 per cent. against England. It is understood, that at that time the French coin, though worn, was not so degraded as the English, and was perhaps 2 or 3 per cent. nearer its standard. Very soon after the recoinage in 1772, the market price of bullion fell to the mint price, and there was a corresponding improvement in the course of the exchange*; In consequence of the depreciation of French assignats, the exchange between London and Paris fell 70 per cent. to the disadvantage of the latter place.

* Wealth of Nations, vol. i. 62. vol. ii. 215.

The general fact, which is here advanced in the theory of exchange, that the variations in its rates, as well as the par of it, depend upon the respective values of the currencies in the countries between which they are estimated, will become more obvious by investigating the opposite and commonly received theory, which makes the rates of exchange to depend upon the balance of trade.

According to the commercial system of political economy, the balance of trade between two countries, is considered to be expressed by the rates of exchange; and, vice versâ, the rates of exchange by the balance of trade. This opinion, however ably controverted, and clearly proved to be founded in error, is still most stubbornly adhered to; and in no instance with greater obstinacy than in respect to the rates of exchange between Great Britain and Ireland.

The reasons are many and very evident, upon which this error may be exposed; a few of them will be here stated. In the

first place, the balance of exports and imports, which forms the balance of trade, does not express the actual balance of the whole trade; it does express, but with no great accuracy, the balance of commercial transactions; but it totally omits those transactions which are of a private nature, and are usually denominated pecuniary remittances.

In the second place, it is impossible to argue on the grounds of a favourable or unfavourable balance of trade, even if these remittances are brought into account; because it is not possible to ascertain the amount of these remittances, and therefore, in the case of Ireland, to argue that the high rates of exchange are produced by an unfavourable balance, is to close the solution of the question, whilst one quantity of the equation remains unknown, and beyond the reach of human comprehension.

But the principal and paramount reason why the balance of trade is inadequate to account for a continuation of unfavourable

rates of exchange, such as have been experienced between Great Britain and Ireland for six years, is the hitherto uncontroverted fact, that a balance of trade, really unfavourable, is always working its own remedy. For, according even to the most vulgar notions of mercantile profit, it is so very evident, that a rate of exchange above par is an absolute bounty upon the reduction of it, that speculations are immediately set on foot to take advantage of it; and which, in the natural course of things, very soon will bring exchange to par, and very frequently, in the spirit of commercial competition, some degrees below it.

It therefore is totally impracticable, in and between countries where trade is free, and capital of great amount, that such an occurrence as an unusually and permanently unfavourable rate of exchange, can be accounted for upon so vague and so imperfect a doctrine as the balance of trade.

With regard to Ireland this theory is more than erroneous; it is even quite false;

because the very grounds in this instance fail, upon which it is usually supported; and prove, as far as any proof can be drawn from them, that the balance of trade is in reality in favour of Ireland. The exports and imports, taken at their real value, leave a balance for the year 1803 of 917,299*l.** and the remittance of the loan from London to Dublin counterbalances the remittances of rents to absentees.

How then, it may be asked, can such a permanent high rate of exchange be accounted for, as that which has so long existed between Great Britain and Ireland? To this it will with confidence be replied, by the depreciation of bank paper, originating in the restriction of cash payments, and proved by the discount upon it when exchanged for guineas. This is the cause, and the only cause, which is adequate to account for the whole effect; one that is in every respect consistent with the universally

* Irish Exchange Com. Ap. 57.

received definition of the par of exchange, and with those occurrences which are on record, as having taken place in regard to the rates of exchange between Great Britain, Holland, and France. "The degraded currency of one country being balanced against the pure currency of another, an allowance is made for the degree of depreciation; an addition, exactly equal to this amount, is calculated upon all the debts of the former country, and the apparent increase of debts has a corresponding effect upon the rate of exchange, which is no longer a just criterion of the relative state of the commercial transactions between the two countries.

Though the imports and exports should be precisely balanced, though the debts and credits should be equal, yet, as the currencies differ in their intrinsic values, the exchange, though really at par, will appear to be unfavourable to that country where the currency is degraded.*"

* Lord King's Pamphlet, page 28.

The theory which is here advanced respecting the dependence of the rates, as well as the par of exchange, upon the value of the circulating medium, removes at once the whole difficulty of comprehending this subject. It exposes the errors which have been fallen into by attributing the high exchange between Dublin and London to any balance debt due by Ireland to England, and it points out the manner in which an unfavourable exchange may be produced, notwithstanding every circumstance may apparently exist, which is calculated to give rise to a favourable one. It is in fact this distinction which has been taken between the effects of currency, and of a balance of trade, and remittances upon the rates of exchange, that places the cause, the consequences, and the remedy of it, as existing between Great Britain and Ireland, in its true light, and affords both in theory and in practice the most satisfactory proof of the impossibility of accounting for the very high rates of it by any other method than the depreciation of Bank paper.

ON THE DEGREE OF DEPRECIATION OF IRISH CURRENCY.

In support of the fact of the currency of Ireland being depreciated, reference has as yet only been had to the known discount upon Bank paper; which circumstance, with every reasonable mind, will be considered as decisive proof. But, as the reasoning is not admitted by many, and particularly by the directors of the Bank of Ireland, it is further necessary to investigate other means by which the extent of the evil may be calculated; these are, the price of bullion, as compared with the mint price of it, and the rates of exchange. The rates of exchange being, according to the true theory of exchange, direct evidence of the value of currency, will explain the reason for postponing the discussion of the actual degree of the depreciation until this theory had been previously examined. What we have hitherto urged will be greatly supported, if, upon examining these tests, the result should be a corresponding proof by

each of nearly the same degree of depreciation.

The price of bullion becomes a criterion of the depreciation, as it is affected equally with the price of any other article. The mint price of it being of a certain established amount, it follows, that if the bullion price advances without the actual quantity of bullion brought to market throughout Europe having diminshed, or the demand for it having increased---that the advance is nominal, and arises from the diminution in value of the currency with which it is purchased; and it therefore becomes a just measure of the depreciation of that currency. There is not the same opportunity in Ireland of investigating the prices of bullion at different periods as there is in England, because there is not any regular return of its prices published there, as in Lloyd's List. It has, however, been ascertained, that the price of silver in Dublin has experienced an advance, having varied from 5*s*. 8*d*. to 6*s*. 8*d*. Irish currency per ounce; from which

it may be inferred, that the increase is 17 per cent.

By the state of exchange between Dublin and London, there is reason to conclude that the depreciation of Irish currency, compared with the currency of England, is at least 8 per cent. the exchange now being seldom under 14, and frequently 18, and even 19 per cent. making 16½ about the average.

It is very evident, that the rates of exchange fall very far short of explaining the exact depreciation of paper. The real balance of trade being in favour of Ireland, justifies a belief, that the depreciated currency has not only operated, so as to raise exchange 8 per cent. above par, but also to counteract the natural tendency of the trade of Ireland, to produce an exchange two, three, or four per cent. in favour of it.

Nor is the rate of exchange between England and Ireland the exact measure of the depreciation for another reason; namely,

that the paper currency of England is itself depreciated.

In resorting to the rates of exchange for evidence, an accurate idea of the extent of the depreciation can alone be formed by comparing the currency of Ireland with the currencies of those countries where specie still is current; and by examining the exchanges between Dublin and London, and between London and them.* Thus, if a Dublin merchant have to make a remittance to Hamburgh, and the exchange between London and Hamburgh, is 8 per cent. as was the case in 1801, against London, and at the same time the exchange between

* If the pound sterling, which is the English unit, shall be found any how changed, and if the variation it has met with be difficult to ascertain, because of a complication of circumstances, the best way to discover it will be, to compare the former and the present value of it with the money of other nations, which has suffered no variation.——This the course of exchange will perform with the greatest exactness.

Sir J. Stewart's Political Œconomy, vol. ii. B. III. p. 110.

Dublin and London, is 8 per cent. above par against Dublin, the tax upon the merchant will be 24½ per cent. This is not matter of mere speculation, but of absolute fact; not occasionally, but for a long time actually existing. For, although the great stimulus which the peace gave to English commerce, produced a more favourable course of exchange with the continent, and the operation of remitting a loan borrowed in London, to Dublin, may occasionally render the Irish exchange more favourable; yet, if the averages of exchanges between London and Hamburgh, and between Dublin and London, are taken for the last two or three years; and likewise the averages of the quantities of paper issued by the National Banks of England and Ireland, it will be found, first, that the state of the exchanges have been permanently and uniformly unfavourable; and secondly, that the rates of their increase, and variation from the original and usual rates, have been most uniformly proportionate to the

increasing issues of paper, and consequent depreciation of it. Had the Bank directors of Ireland maintained the value of their paper, at the same time that the value of English paper was diminishing, the exchange between the two countries would have become in favour of Ireland; but the circumstances of both of them now prove, that the directors of the Bank of Ireland have not only kept pace with the directors of the Bank of England in the work of depreciation, but gone beyond them to a degree most truly astonishing and alarming.

As the trade of England with the continent since the restriction of payments in specie has been prosperous; as the trade of Ireland has been improving; as the rate of exchange between London and the Continent has varied from five per cent. in favour of London to an exchange against London;* and that of Dublin on London, from par to eight per cent. against Dublin; the degree of variation

* Feb. 1804.

in exchange, or in other words, of the depreciation of currency in comparison with that of the Continent, is at least 13 per cent.* This conclusion agrees with the conclusions which arise from considering the mint and market prices of bullion, and the discount on paper;† as the advance in the price of bullion makes

* If the present rate of exchange between London and Hamburgh, and the mint and bullion prices of gold in London, can establish a depreciation in Bank of England paper of two per cent. the rate of exchange between Dublin and London will prove a depreciation of 10 per cent. in the value of Irish Bank paper.

† The discount has been objected to as a proof of this depreciation, upon the supposition that guineas have risen in value. If it be true that the prices of all commodities have risen, corresponding both as to the periods and the rates of their increase, with the periods and rates of increase in the value of guineas, no further explanation is necessary to prove, that the real value of them is not risen. That the prices of all things have risen, and risen in the full proportion to the rise in the price of guineas, is matter of general notoriety.

a depreciation of at least 17 per cent. and the discount one of 10 per cent.*

In further proof of the degraded state of Irish currency, there still remains a circumstance, namely, the currency of specie in a few counties in the North, which must be conclusive.

The result of the restrictions of cash payments in Ireland has been the disappearance of guineas throughout the whole country, these few counties alone excepted. It is not generally known, and it may appear in some degree difficult to explain the reason, why specie should have conti-

* In estimating the degree of depreciation by such fluctuating means as those of exchange, prices of bullion, and prices of guineas, it is not to be expected that the exact per centage will be the result. If they prove a depreciation differing only in amount three or four per cent. they prove sufficient to establish beyond a doubt what is endeavoured to be established. Each of them fully demonstrates, that a depreciation of 10 per cent. has taken place in the value of Bank of Ireland paper, and by this concurrence of testimony they render this fact altogether incontrovertible.

nued to form the currency of the North. It is to be observed, that the inhabitants of it at no period placed any confidence in Bank paper, and being at the time of the first restriction, in 1797, much dissatisfied with the established government, they considered it possible to embarrass it by refusing to receive Bank paper for payments, and actually did so, universally, notwithstanding the paper was then of equal value with the specie they required. The consequences of this determination prove, how easy it would have been to maintain a currency of specie throughout the whole empire, and how certain it is, that whenever trade is free, whatever particular commodity is required for carrying it on, will, under any circumstances, however unpropitious, be forthcoming in such quantities as are necessary to meet the demand. The resistance on the part of the weavers of the North to the receipt of payments in paper, encouraged the landlords to require specie in payment of their rents, and

thus a currency of specie has been maintained in the North pure, and uncorrupted, whilst in every other part of Ireland the introduction of excessive quantities of paper has been productive of the greatest abuses, and the most serious consequences.

One most extraordinary circumstance has arisen from this peculiar state of the Northern circulation, namely, an established rate of exchange between Belfast and Dublin; not merely a rate which possibly might be the consequence of dealings upon bills of long credit, or of partial variations in the extent of their commercial intercourse, but steadily settled, even as high in some instances as 11½ per cent.* This circumstance, together with the practice of fixing a paper price and a cash price on all goods for sale in the North, amply corroborates every argument already made use of to prove the depreciation of paper, and also the effect of

* See Appendix, No. IV.

this depreciation upon the rates of exchange between Dublin and London.

As the currency of the North may therefore be considered as supporting the former arguments made use of to demonstrate the degraded state of the paper currency; so does it also most clearly corroborate the position which has been laid down and proved, that this degradation is the cause and measure of the rates of exchange. For, when the exchange from Dublin on London is 16 ¼ per cent. that of Belfast on London has been 5¼, and of Belfast on Dublin 11¼ per cent. These were the exact rates in December, 1803,* and are the usual rates now existing. We therefore have direct evidence of the rates of exchange of Belfast on Dublin and on London, and of Dublin on London, being so adjusted by the operations of currency, as exactly to maintain in favour of Belfast the superior value of a currency of specie,

* See Appendix, No. IV.

over the degraded currency of Dublin. In the South of Ireland, where Bank notes are current, there exists a very unfavourable rate of exchange. In the North of Ireland, where Bank notes are not current, this unfavourable rate of exchange entirely ceases.---These simple and obvious facts exhibit in one view the whole theory which this work has endeavoured to maintain, because it renders it incontrovertibly true, that the paper currency is depreciated, that this depreciation is the sole cause of the unfavourable state of exchange, and that the degree of it is not less than 10 per cent.

It is easy to estimate, from the above statement, some of the most striking consequences attending a currency of specie, of paper convertible into specie, or of paper issued to an excess not convertible into specie. For instance, if a landlord in the North, previous to the restriction of cash payments, let 100 acres of land for 100 guineas per annum, and if a

landlord in the South did the same at that period, both of them would have received equal benefit, and exactly the same sum of money, because they both received their rents in specie, or what was of equal value, paper convertible into specie. The state of the case is now materially different; the landlord of the North receives 100 guineas in specie, the landlord of the South receives 100 guineas in Bank notes. If guineas bear a premium of 10 for every 100, the landlord of the South does not receive from his 100 acres so much by 10 guineas, as is received from the 100 acres in the North.—If both landlords sent their rents to Dublin to purchase government stock, the landlord receiving specie for his rents would be able to buy stock to the amount of 10 guineas in each 100 guineas of rent, more than the landlord could buy with his rents paid in Bank paper.

This conclusion therefore necessarily follows, that the property of every land-

lord who receives his rents in Bank paper is diminished by 10 per cent. whether residing in or absent from Ireland; the resident landlord suffers this diminution by the increased prices of all things, the effects of the depreciated currency; and the absentee landlord, by the high rates of exchange, the effects of the same depreciation. And as the only part of Ireland in which guineas are still current, is the province of Ulster, it is from all these considerations perfectly manifest, that the operation of this depreciation is a direct tax of 10 per cent. upon the income derived from three fourths of the landed property of Ireland.

Annuitants of every description, who form a very large class in the society, and who, generally speaking, can very ill afford any reduction in their means of living, suffer in exactly the same degree. A similar diminution takes place likewise in the public revenue, or more correctly expressing it, in that portion which remains after

paying the public annuitants;--its powers of purchasing whatever government require being decreased in the proportion that the prices of things are raised, and thus the imposition on the public of new taxes becomes necessary to enable government to pay this very heavy tax of depreciation.

There still remains another point of view in which the depreciation of paper should be taken, and which could not be discussed, till the state of the currency of the North had been considered. There are many persons who consider the theory herein advanced, that the depreciation of paper arises altogether from the excessive issue of it, as erroneous, and attribute it to the paper wanting credit sufficient to make it circulate at its full value. The advocates of this latter theory acquit the bank of Ireland of every charge of mismanagement, and of any suspicion in respect to their solvency. "But solvency and good management," say they, "are not "the only things that stamp credit. Let

" us, for instance, suppose an affluent well-
" managed bank in Guernsey or Jersey,
" would its credit be equal to one of a
" similar description, placed in the heart
" of the metropolis? Certainly not. Its
" detached situation and proximity to
" France, would raise other apprehensions
" than the personal irresponsibility and
" bad management of the concern. True,
" it would be said, the property is abun-
" dant, and the affairs of the bank are
" well conducted; but the island in which
" it is placed is detached from the main
" strength of the empire, and necessarily
" more exposed to the predatory inroads
" and entire conquest of an enemy. In
" some degree parallel is the local situa-
" tion of Ireland, and her internal dispo-
" sitions are such as add materially to
" the apprehensions entertained on that
" account. She is detached and separated
" from the main strength of the empire
" and from that circumstance alone mu
" always be more exposed to the dang

" of invasion than England. To say the " least of them, her inhabitants are more " inflammable, and subject to insurrection " than the people of this country. Now, " in proportion to these complicated perils " of invasion and rebellion, must be the " opinion of the security of property; " and on that opinion credit, the soul of " paper circulation, wholly depends. If " this reasoning be just, the depreciation " of Irish Bank paper arises not from any " balance of trade or quantity in circula- " tion, but from the physical and moral " situation of that country, which neces- " sarily take from confidence in the security " of property, and diminish that credit " which is raised upon it."*

To this mode of reasoning it will be answered, that as the supposed insecurity of property existed in Ireland previous to the restriction, when the quantity of Bank

* Cobbet's Spirit of the Public Journals, vol. i. p. 120. Vid. Mr. Burrowe's Evidence infra.

paper in circulation was very small, so far as it could operate on the credit of paper, it would have so operated as to prevent the introduction of it into general use; and that the cause assumed to account for the depreciation, is, in fact, a cause which, if operative, would have prevented the existence of a paper circulation altogether. And that this is a fair method of explaining the error on which this theory is taken up, is fully exemplified by the circumstance already noticed, in respect to the North of Ireland. For, in that part of the country the complicated perils of invasion and rebellion were so imminent in the year 1797, that the paper of the Bank of Ireland possessed no credit whatsoever, and its admission into circulation was absolutely in this manner prevented, and the circulation of specie preserved. Had the same dangers existed, or if existing, been felt in the other parts of Ireland, there can be no doubt, that the whole currency of Ireland would at this day have been composed

of specie. In every other part of Ireland, except the North, there was wanting the combination of sentiment to adopt or refuse new measures, which attend a very extensive system of trade. There wanted likewise that intelligence and wealth amongst the lower orders, which is always essential to enable them to determine in what manner they will be paid the value of their labour. It was the refusal of the lower orders to take Bank paper in payment for their linens, which induced their landlords to require specie in payment of their rents, and thus maintained the currency of specie in the North. In those parts of the country where the linen trade has not been established, there being no source from which a regular supply of guineas could be procured, the landlords tacitly acquiesced in the custom of receiving their rents in Bank notes. This at once gave them equal credit with specie, and extended their circulation, till by degrees the quantity of them became so much greater, than

the actual demand for them rendered necessary, as to lower their value in the proportion of the excess.

By examining then this argument, it appears, that had the insecurity of Ireland been sufficiently felt, the currency of specie would have been maintained throughout all Ireland, instead of a part only of it; and further, that the actual error which has been committed in every other part of the kingdom, except the North, was that of placing too much, even a most culpable credit, in the utility and value of Bank paper.

OF THE REMEDY OF THE HIGH RATES OF EXCHANGE.

In looking to a remedy for the evils which have been the consequences of this degraded state of the currency, originating, as it has already been shewn, directly from the misconduct of the Directors of the Bank of Ireland; it is necessary, in the first place to investigate the powers of which they are in possession.

The commercial dealings of nearly all Ireland being transacted by Bank paper, and the Bank of Ireland being by its capital, and the powers that have been vested in it by Parliament, the principal engine in the system which maintains the supply of circulation, it must necessarily form a considerable feature in exposing the effects of the depreciation, and in the inquiry concerning an appropriate remedy.

As parliament, by relieving the Bank of Ireland from the obligation to pay in specie,

have taken away the only control that can exist over its issues; as they have made the paper of the Bank of Ireland, in some instances, a lawful tender; as it has admitted of the payment in it of the taxes; as it has given to it a species of banking monopoly, and by it so decided a superiority over the paper of other banks, as that of placing private Bankers under the necessity of paying in it their own paper; and as the Bank of Ireland is the deposit of whatever money belongs to Government, the administration of its management must have great influence upon the state of trade, the credit of its paper, the value of the currency of the country, and the rates of the exchange. But, however great its authority and enlarged its control over the commercial world, by the nature of its first institution, inferior indeed were its powers at that time in comparison with those attributes with which it is now invested by the restriction of cash payments. It is no longer under the ne-

cessity of filling the humble character of a cautious mercantile company, calculating the extent to which its dealings may be increased according to the capital it possesses to give them security; nor regulating its proceedings by the apprehension of failure, or the hazard of commercial speculation; but in full possession of an unconditional power of regulating the currency of the kingdom; of increasing its profits at pleasure, by even making such issues of paper as may depreciate that currency; and of preventing or imposing upon the State those evils which must result from yielding to or resisting the temptation of gain. This power of issuing the medium of circulation, which, whilst specie was in circulation, was the immediate prerogative of the crown, is now wholly vested in the hands of the Bank directors. In the official character of these gentlemen, a portion of the former duties of his Majesty's ministers is united with those of a trader, and their conduct must necessarily be at all

times wavering between the instinct of mercantile gain, and the duty they owe the public.

These are circumstances which were the immediate result of the restriction. Though of a nature not likely to produce a very correct management of the currency of Ireland, much injury might have been avoided, by upright and intelligent measures.

Instead, however, of measures of this description, the directors appear to have acted upon very questionable considerations, in conducting the affairs of the Bank; very worthy men, as members of society, possessed of great individual probity, honour, and integrity; but, most probably, fully convinced that they discharged their public duty most correctly, and most ably, by taking every opportunity of promoting the interests, and increasing the profits of the corporation which they represented. Had the slightest attention been applied, by parliament, to their conduct,

they never could have attempted to overload the market, as they have done with their paper. It would only have been necessary to compare, at the same periods, the issues of paper in both countries, and it would then have been evident to the most careless observer, that the issues of the Irish Bank were unjustifiable; and that they could not have proceeded from any other cause than that of augmenting the profits of the Bank, by a most unwarrantable system of discounting.

The remedy which obviously presents itself from this view of the subject is, the renewal of cash payments; this would at once recover the value of the currency, and reduce the rates of exchange; but as this is a measure, concerning the policy of which there is great difference of opinion, we must look to such measures as may produce the next most effectual remedy.

The object of all interference with the Bank being the diminishing of the quantity of its paper, it is evident that no measure can be effectual unless it reaches

this desideratum; that of imposing a fixed limit upon the issues of the Bank appears in some measure advisable. But if a comparison be made between the amount of Bank of England paper, and that of Bank of Ireland paper in circulation, it will appear, that in proportion to the state of trade in each country, the surplus of paper in Ireland is £1,875,101;* even on the supposition that the trade of Ireland, in consequence of the restriction of payments in specie, required the same proportional increase of paper as was necessary in England, and that the issues in England were increased two thirds. In order, therefore, for such a limit to produce a good effect, this sum should be withdrawn from circulation. But if such a limit to the issue of paper were enacted, as would enforce this measure, it might be productive of most serious evils to the mercantile interest. The system of discounting adopted by the Bank has encouraged all men in business

* Vide note, p. 6.

to trade much more beyond their capital, than they would otherwise have been able to do. It has certainly contributed to the establishment of private banks, and to induce them to extend their dealings to a very great degree. Might not then so sudden an alteration in the accustomed method of making payments, embarrass the whole operations of trade?

There is this dilemma, therefore, attending the enforcing of a positive limit, that if it do not withdraw from circulation as much paper as is productive of the depreciation, it will not operate as a remedy. And if it should suddenly take out of circulation this immense sum, it may be productive of still greater evils, by causing failures, and destroying credit and trade. The measure, therefore, of fixing any precise limit to the quantity of paper, appears, from these considerations, to be of a nature too hazardous to be applicable to produce a reformation in the state of the currency.

It is at the same time absolutely necessary, that some control should be placed upon the conduct of the Bank Directors. But before any particular measure of direct interference is adopted by the legislature, it might be advisable to try what effect would be produced by an inquiry into their proceedings, and the state of Irish currency, by a committee of both Houses of Parliament.* There is reason to suppose, that considerable advantages would arise from this investigation; for we have seen the Bank Directors of England, though equally tempted with those of Ireland by the powerful motives of self-interest, so far resisting the temptation, and so far maintaining the value of their paper, as not to permit it to be subject to a discount; probably because they were obliged to come before the bar of the House of Commons,

* The first Edition of this work was published near a month before the appointment of the Committee, which has contributed so much to elucidate the subject.

in every session, with a return of the amount of their notes in circulation.

If it were not presumptuous to recommend to parliament a remedy on a subject of so great importance as that of exchange, the plan which appears to be the least objectionable, and the most certain of succeeding, whilst the restriction continues, is that of equalizing the currencies of Great Britain and Ireland, so far as it might be effected by making the paper of the Irish National Bank convertible, on demand, into Bank of England paper. The difficulties which are said to attend this plan, and are opposed to it, are, the distance of Dublin from London, and the loss which the Bank of Ireland would sustain in procuring Bank of England notes. The state of currency in Scotland shows the practicability of the plan, notwithstanding great distance; and proves, that the paper of other Banks may maintain the value of Bank of England paper, in a country where little or none of it is in

circulation;---this is easy to be accounted for, by the facility with which the paper of the Scotch Banks is converted into English bank notes.

If this plan were adopted, it is not probable a very large quantity of English notes would ever come into circulation. In the same manner as in Scotland, a preference would be given to the paper of Ireland, because forgeries of that paper would be soon discovered; and, consequently, less risk attach to the receiving of it in payments. The only object of the plan being, to give to Irish Bank paper the value of that of England, by making the former convertible into the latter, not to introduce a certain regular quantity of English notes into circulation; it is not likely, that when that value was attained, much paper would, in reality, be converted into English notes, as all the large remittances to England would continue to be made by bills. Whatever quantity of English notes came over to Ireland, would

be continually returning as remittances, and could not well become, considering the number of Banks in Dublin, any considerable portion of the common circulation. No injury, therefore, is likely to result from this plan, either in consequence of an unavoidable increased issue of English paper, or from the practice of forgery.

Every objection that can be fairly suggested against this plan may be obviated, by giving sufficient time to the Irish Bank Directors to be prepared for carrying it into effect. For the superabundant quantity of paper being the cause of the high rates of exchange, and the power of withdrawing what is superfluous of it from circulation, being possessed by the Directors, it clearly rests with them, whether they will permit these high rates to continue, or whether they will take measures for lowering them to that standard, which will enable them to obtain Bank of England notes, without any loss whatsoever. It is impossible, and a position altogether

untenable, that the Bank can suffer a loss on this transaction, if they only adopt those precautionary arrangements, which they are fully competent to pursue. And it is evident, that, even admitting, for the sake of argument, that there would be a loss, it would be merely temporary, and only to an extent sufficient to provide payment for some of the first remittances made under this plan; which remittances would soon cease to be made in English notes, because the very circumstance of making payments in them would take away the cause of an unfavourable exchange, by giving to the debts due by Ireland to England their true and real value. Thus, when the credit and value of English paper was attached to that of Ireland, the effect on public opinion would be such, as to produce an exchange at par. If it should afterwards happen, which is almost impossible, that the exchange should be against this country, it will arise from an excess of Bank paper being left or issued into

circulation. But as this advance in exchange would immediately operate as a loss to the Bank in providing English notes, it is evident the Directors will never issue paper beyond such a limit as will maintain the exchange at par. This is the true limit which should be placed to their issues of paper. And it is only by adopting this plan, that any efficient, safe, and equitable limit can be established, and the evil of a depreciated currency removed.*

In respect, therefore, to the loss which it is conjectured the Bank of Ireland would sustain, by making payments in English notes, it is only necessary to remark, that it so entirely depends upon the exchange, the exchange upon the currency of the country, and the currency upon the quantity of paper issued by the Bank, that it is merely imaginary; and, in fact, no other than that which the Bank would suffer by limitting its discounts. In respect to the other point to be attended to in ear-

* That is, so long as the restrictions continue.

rying this plan into execution, namely, the effect which the limitting of the discounts might have upon trade, it is clear that if the quantity of paper withdrawn is just of that amount which is necessary to produce an exchange at par, no part of that which is necessay to be left in circulation will be withdrawn, because only that part will be withdrawn which was superfluous, and beyond the quantity which the demand of trade required. The depreciation and high rate of exchange being the effects of a superfluity of paper, it will certainly be necessary for the Directors to take care not to withdraw the superfluous paper too suddenly; and to produce during the period which may be allowed them for preparing to pay in English notes, such a gradual diminution of the quantity of paper in circulation as will give time to those persons in trade, who have been encouraged to speculate farther than their capitals would authorize, to be prepared also for the new state of exchange and currency.

But however certain the success of this plan may be, as calculated to maintain a permanent par of exchange between Great Britain and Ireland, it is no doubt objectionable, inasmuch as it does not provide a farther remedy for the depreciation of Irish paper, than that of rendering it of equal value with the paper of Great Britain, which has been proved to have suffered a depreciation, by guineas bearing a premium in London, of two and a half per cent. * The only effectual remedy, therefore, both for the high rates of exchange, and the depreciation, is the renewal of cash payments by the national banks; this measure, by affording guineas as a common medium of circulation to both countries, would restore to currency its full value, and to the rates of exchange the same tendency to be permanent, at or very near par, which was the case previous to the restriction, and which must always be the case, the currency being as it formerly was;

*Vide Mr. Burrow's Evid. Ir. Exch. Com.

because the only variation from par, which can occur under such a circumstance, is that which would arise for the expence attending the remitting of specie from one country to the other. Sir William Petty has observed, that in regard to the exchange between England and Ireland, that this expence can never be more than the land and water carriage of money between the two kingdoms, and in the insurance of the same upon the way, if the money be alike in both places.*

But besides this common circulation of guineas in England and Ireland, there is farther wanting to render the remedy complete, a total assimilation in the value of the component parts of the coin in both countries; so that the par of exchange may be expressed in equal quantities of currency, and not, as at present, by a percentage of eight pounds six shillings and eight pence. By removing this distinction, the existence of any rate of exchange

* Political Survey of Ireland. Dub. Ed. 349. 1769.

between England and Ireland could be no more known than it is at present between Liverpool and London; the flux and reflux of specie would be continually keeping both currencies of equal and steady value; and any exchange which might possibly in future apparently be established, would be nothing else than a payment in the nature of interest on the credit given by the period for which the bills of exchange, for remittances, are drawn.

But, like many operations for regulating transactions of a similar nature, which are in themselves perfectly simple, this regulation of the Irish currency is perplexed by various obstacles which do not belong to it, and could never have occured, but from the same mysterious and important habit of attempting to render every proceeding of the kind as confused as possible, in order that its adoption may be attended with the greater eclat, and a strong impression of the wisdom and advantages of the plan.

An issue of new copper coinage for

Ireland, by which twelve pence should be equal to the present Irish shilling, would at once produce the reformation that is necessary; and that this is a correct statement must be apparent from this simple consideration, that it is from the circumstance of thirteen pence of the present copper coin being equal to a shilling, that the difference in the currencies arises.

It would not even signify if all the new coinage of copper were to be exported from Ireland; this would be a mere mercantile transaction, and in the same spirit of trade some other substitute would be supplied, which would pass for the same value as the coin it represented. But if such a new coinage were issued in sufficient quantities to supply the place of all the present old copper coin, and all this old coin were called in, and the further use of it strictly prohibited, the new coin would become the necessary medium of all small payments, and this necessity would keep it in Ireland.

With regard to the effect of the assimilation of the currencies upon pecuniary contracts, no further regulations can be necessary, than that all contracts subsisting at the period of assimilation should be paid according to the former value of the currency, which would be immediately ascertained by deducting one thirteenth on every sum to be paid from the value in the new currency. As to prices of goods, it is perfectly manifest, that, as they originally depend, not upon the value of money, but upon the intrinsic value of the goods themselves, no effect, one way or the other, can be produced upon them by the assimilation. The farmer will continue to pay exactly the same rent, and to receive exactly the same value for his productions; and in like manner will each individual be no wise aware of any alteration in their usual payments or receipts, except from the new medium with which these transactions take place.

In these few lines there is contained

every thing that is necessary to be said concerning the method of rendering the currency of Ireland of equal value with the currency of England;---the alteration is merely an alteration of form, not of substance; a mere change of names, more conducive to convenience, and to the saving of trouble, than to any really practical utility.

The subject of Irish currency being now fully discussed, it remains only to bring into one view the consequences of the restriction of cash payments in Ireland, in order to point out the important duties which the members of the Irish Government and of Parliament have to discharge.

We see in the short period of six years and eleven months, that currency depreciated in its value 10 per cent;---the rate of exchange between Dublin and London, during exactly the same period, advanced from an average below par to even 19 per cent. against Dublin in its trade with England, and to 24 per cent. in its trade

with foreign countries;---the issues of bank paper during the same precise period increased from 621,917*l.* to 2,911,628*l.* --the landed property of the kingdom diminished in its annual value 10 per cent;---the property of the widow, the annuitant, of every person deriving their means of living from fixed stipends, reduced in the same degree;---a violation, in fact, effected, of all pecuniary contracts made previous to the restriction, and a further violation unavoidable of all that have been made since that period, whenever the restriction is removed;---the prices of labour increased without making the poor man richer;---the prices of the foreign materials of manufacture, and of foreign articles of prime necessity, greatly augmented; the exertions of industry incumbered by heavy charges; and the profits of trade, the property of the landlord, the speculations of the farmer, sometimes benefited, sometimes injured, at all times depending upon the free will and uncontroled authority of

the Bank directors. We see them at their pleasure fixing the assize of property; and, though a body unknown to the constitution, exhausting that property to a greater degree than the King, Lords, and Commons, to whom alone the constitution grants a power of interfering with the property of the subject, could exhaust it by the most oppressive taxes.

We are now to see what will be the conduct of Government and of Parliament. We may with reason expect attention to be paid to a subjet of so great magnitude; and that such measures will be adopted, as will give the country the essential benefits of a steady and invariable currency. Though the circumstances of the times may not possibly admit of payments in specie, the vast importance of an intrinsic and fixed standard of currency, to the honour, to the justice, and to the prosperity of the country, calls upon the most vigorous exertions of those, in whom the charge and character of it is reposed,

to relieve it from the accumulated evils it at present experiences from a depreciated circulation.

OF THE EFFECT OF PRIVATE BANK PAPER UPON THE CIRCULATING MEDIUM

THE depreciation of Bank paper has been attributed to the excessive and uncontroled issues of private banks.

As no greater quantity of private bank paper can remain in circulation than that which the demand of the neighbourhood requires, because the surplus would be returned, and converted into National Bank notes, it certainly appears difficult to discover the cause and progress of the increased quantity now so notoriously circulated. No improvement in the state of trade has taken place, of a sufficient extent to render it possible, that it originates from this cause. No new taxes having been imposed,* and the payments of the treasury being made in

* Feb. 1804.

National Bank paper, there is no reason for supposing that either of these circumstances have contributed to it. The best explanation of the progress of these increased issues is contained in Mr. Malthus's Essay on Population; it accounts in the most satisfactory manner for the increased demand of private paper, the effect which this increased issue of it has produced upon prices, and of these prices to maintain the increased demand for paper, notwithstanding the original cause of the increase no longer exists. It will also contribute to show the utility of these private banks in times of emergency, and that it was the peculiar duty of the Directors of the Bank of Ireland to have limitted their issues after the good effects of private issues had operated, in order to assist, by withdrawing from the circulation as much paper as possible, to lower prices, after the real cause of their increase ceased to exist, and maintain the value of paper currency. Mr. Malthus thus expresses his sentiments upon the subject.

"The paper issues of a country Bank are, as I conceive, measured by the quantity of its notes which will remain in circulation; and this quantity is again measured, supposing a confidence to be established, by the sum of what is wanted to carry on all the money transactions of the neighbourhood. From the high price of provisions, all these transactions become more expensive. In the single article of the weekly payment of labourers' wages, including the parish allowances, it is evident, that a very great addition to the circulating medium would be wanted. Had the country Banks attempted to issue the same quantity of paper without such a particular demand for it, they would have quickly been admonished of their error, by its rapid and pressing return upon them; but at this time it was wanted for immediate and daily use, and was, therefore, eagerly absorbed into circulation.

"The very great issue of country Bank paper, during the years 1800 and 1801, was

evidently, therefore, in its origin, rather a consequence than a cause of the high price of provisions;—but, being once absorbed in circulations, it must necessarily affect the price of all commodities, and throw very great obstacles in the way of returning cheapness.

"In this respect, however, it is much better, that the great issue of paper should have come from the country Banks, than from the Bank of England. During the restrictions of payment in specie, there is no possibility of forcing the Bank to retake its notes, when too abundant; but with regard to the country Banks, as soon as their notes are not wanted in the circulation, they will be returned; and if the Bank of England notes be not increased, which they probably will not be, the whole circulating medium will thus be diminished."*

The same scarcity existed both in England and Ireland, and gave rise in both

* See Essay on Population, p. 403, 404.

countries to a proportionate increase of private paper.

This great issue affected the prices of all commodities. The existence of these high prices has had the same operation in maintaining a demand for this great issue of private paper, which the scarcity originally had in producing it; and when these prices would have naturally fallen, upon the scarcity ceasing to exist, the great issue of paper, which was the effect of these prices, has become the cause of their remaining high. It was to be expected that the scarcity no longer existing, the increased issue of paper produced by it would have been returned to the Banks that made it. In England this appears to have been the case, or it is rather more probable, that the private bankers, imagining that the demand for their paper must, in the common course of things, cease with the high prices occasioned by the scarcity, very prudently limited the extent of their discounts. We are now to consider, what circumstances have contri-

buted to produce a different line of conduct on the part of private Bankers of Ireland. According to Mr. Malthus, "as soon as the notes of country Bankers are not wanted in the circulation, they will be returned, and if the Bank of England notes be not increased, which they probably will not be, the whole circulating medium will thus be diminished." Mr. Malthus, in another part of his work, observes, that the issues of the Bank of England notes do not appear, by the returns made to Parliament, to have increased in consequence of the scarcity, and concludes the necessary augmentation of the circulating medium was provided by the country Bankers. It is therefore very reasonable to infer, that the high prices in England ceased in a great measure with the scarcity, and did not maintain a demand for an unusual quantity of private paper. In the case of Ireland it will appear, by the returns made to Parliament, that in April, 1801, the issues of the National Bank had been advanced from

621,917*l.* (the amount in circulation, January, 1797) to 2,266,471*l.*--which increase might have been in a great measure necessary, to meet the advance in the prices of all commodities. But as it appears by these returns, that the quantity of Bank of Ireland paper in circulation has been regularly increasing since 1801, and was, in 1803, 2,911,628*l.* and which the Bank "could not be forced to take back;" it is very evident, that whatever quantity of this paper was calculated to meet the demand of the augmented circulation occasioned by the scarcity, and remained in circulation after the scarcity was at an end, has contributed to maintain the high prices originally the effects of the scarcity, and thrown "a very great obstacle in the way of returning cheapness."---But this portion of paper, which would have been returned to the Bank, if it had been possible to do so, on the return of plentiful supplies of provision, has not only operated as an obstacle, by the mere sum of so many pounds, but has enabled

private Bankers to maintain in circulation more of their paper than the natural tendency of things to returning cheapness could have permitted. They had certainly the same reasons with the private Bankers of England to apprehend, that a considerable portion of their paper would be returned to them, when provisions became plenty; but the issues of the National Bank had contributed to maintain the high prices, and thereby to maintain the demand for private paper; and they also enabled the private Bankers to look forward without apprehension to a return of their notes, and the payment of them in National Bank paper; because they afforded so great a facility of acquiring it, by the extensive system of discounting pursued by the Directors.

In this manner the original cause of high prices may be traced to the scarcity, and the depreciation of paper currency to the neglect of the Directors in not withdrawing from circulation a portion of their paper, when the scarcity no longer existed. To

this latter circumstance may the great issues of private paper be attributed, as the consequence, not as the cause, of the depreciation of the currency. And by this investigation it will appear, that notwithstanding the Directors of the Bank of Ireland have not, by law, any control over the issue of private Bank paper, they in fact possess very powerful means of placing limits to it, by withdrawing their own paper from circulation in limiting their own discounts. However great the powers of the Bank of England may be in regard to the issue of private paper, they can scarcely be of greater efficacy than the power possessed by the Bank of Ireland, of even taking from the private banker the means of fulfilling his engagements with his customers, namely, those notes with which by law he must pay upon demand the paper which he issues.*

* The force of this argument becomes greater by considering the effect produced upon trade and all commercial dealings by a deficiency of circulating me-

It is therefore evident from these consi-derations, that such arguments as have been

dium. Seventy-one country Bankers stopped payment in 1793, according to Sir John Sinclair; (page 67 of his History of the Public Revenue.) Mr. Thornton says, (page 50,) "The success of the remedy which the Parliament administered, denotes what was the evil; a loan of Exchequer Bills was directed to be made to as many mercantile persons, giving proper security, as should apply; a remedy which proves, that the quantity of Bank of England notes in circulation was not sufficient for the state of trade and the state of the times. It is well known and universally admitted, that the difficulties which were felt in the commercial world in 1796, by private bankers and every other description of persons in business, and which produced the restrictions of cash payments, arose from a scarcity of money, either guineas or Bank paper. "This scarcity of money was easily accounted for when the real state of the circulation of the Bank was explained to the public; it then appeared, that the average number of notes circulated Sept. 1795 was, 11,034,790*l.*, and in Sept. 1796, only 9,720,440*l.*, making a difference in so short a period as one year, of 1,814,350*l.*, the want of which, considering the total sum circulated, must have been severely felt in the money market." Sir John Sinclair's Hist. Rev. page 311, vol. ii.

advanced under the supposition, that the paper of private Banks has been productive of the depreciation, and that it is not under the control of the Directors of the Bank of Ireland, are not tenable; and it still remains for those, who will not admit the depreciation to be the result of the excessive issue of National Bank paper, to show, upon what grounds the Bank of Ireland is justifiable in increasing its issues of paper to near five times the quantity in circulation in the year 1797, whilst the increase which has taken place during the same period in the amount of Bank of England paper is not two thirds of the sum in circulation in 1797.

ON THE REMITTANCES OF MONEY FROM IRELAND TO ABSENTEES.

It is very generally believed, and very frequently asserted, that the remittances made from Ireland to England are the causes of the high rates of exchange. That

this is an error is easily proved, it being quite impossible that the interest on the Loans borrowed by Ireland in London, and the remittances made to absentees, can be the principal causes of so high rates of exchange, or of so great a depreciation of currency.

The total amount of all sums sent annually to England from Ireland, under these heads, when compared with the whole export trade of Ireland, is so small, that it is clear the effect produced on exchange must be inconsiderable. It will be seen by examining the rates of exchange in the Appendix, that these remittances did not produce an unfavourable exchange previous to the restrictions of cash payments in 1797, though they were at that time very considerable; that in the autumn of 1798, even during the rebellion, when it is known immense sums were remitted to England, exchange was at 8 and 8¼ per cent.

This point respecting the remittances is very easy of determination, by simply con-

sidering what the items are which compose them, as made from Ireland to England, and from England to Ireland. Since the year 1797, a Loan has been annually borrowed in London, varying in amount from 1,500,000*l.* to 3,000,000*l.** It is the practice to leave a portion of each new Loan in London to pay the interest due upon the former Loans, and therefore it is clear that no remittances have been actually made to England on account of interest. In respect to the remittances made to absentees, mortgagees, &c., even admitting for the sake of illustration, that they amount to twice the sum formerly computed, that is to 2,000,000*l.*, the balance of the Loan remaining after paying the interest due on former Loans, and the value of the balance of exports in favour of Ireland will be sufficient to meet them.

The account between the two countries will stand thus for 1803---

* See Appendix, No. 5.

Remittances from Ireland for interest on 27,677,000*l.* being the capital created by Loans in England,*	*l.*1,137,389
Ditto to absentees, -	2,000,000
	*l.*3,137,389
Remittances from England to Ireland by the Loan for 1803,	*l.*2,166,666
Balance of exports in favour of Ireland above,	917,299†
	*l.*3,083,965

It is evident therefore, that the balance of remittances cannot be the cause of the high rate of exchange, or the depreciation of paper; and it is manifest that the amount of interest payable by Ireland has been very much exaggerated, and the sums remitted to absentees very much *over-rated*, in a recent attempt to maintain, that the causes of the high rates of exchange and of the de-

* See Appendix Irish Exchange, Com. 93.

† See Appendix Irish Exchange, Com. 57.

preciation are remittances made to Englan annually, amounting to 4,500,000*l.**

But notwithstanding the indisputable evidence of this fact, which is the result of resolving the opinions entertained upon the subject to a simple question of account, there still prevails so much backwardness in admitting of it, and there are so many imperfect notions entertained in respect to the pecuniary remittance from one country to the other, that a further examination

* See Political Register, page 281;---and Sir John Newport's Speech.

Since the former edition was published Mr. Cobbet has made the following observation upon this note.

"Having referred to the pamphlet of Mr. Parnell, it is proper here to acknowledge the error which he has noticed in the Register vol. v. page 281, where reference is made to a speech of sir John Newport, and where, as it now appears, too great a degree of effect in producing the difference of exchange between England and Ireland was ascribed to the remittances to England in interest of Loans, and in payment to absentees. It was, however, there expressly stated that, "A CONSIDERABLE SHARE" of the loss arising from the difference of exchange was attributable to the depreciation of Irish paper," vol. vi. page 48.

appears to be requisite, in addition to that which has already been made. These remittances may be divided into remittances of rents to proprietors of land in Ireland, resident in England, commanly called absentees, and remittances of loans, borrowed by the Irish government in London, to Dublin.

In reasoning upon the effects of the remittances to absentees, no hesitation is felt in laying it down as a position not to be controverted, that the opinions usually entertained of the injury they do to Ireland as tending to diminish its wealth are altogether erroneous. The want of residence does undoubtedly do mischief, looking to the manners and to the police of the country; but the want of expenditure, considering only the disposal of the absentee rents, is not actually felt; for, whether the amount of the rents is applied to purchase goods to be consumed in Ireland, or to be exported from Ireland, the effect upon the wealth of the country is precisely similar; and thi

is exactly the difference between a landlord who resides, and a landlord who is an absentee. The one returns his rents into the sources of internal industry by purchasing articles which he consumes in Ireland, the other by purchasing articles which he exports from Ireland; for if it is fact, that no specie circulates in Ireland, and that Irish Bank paper will not circulate in England, by what other means can these rents of absentees be remitted, except by the export of the productions of Ireland? That portion, therefore, of the annual income of Ireland which belongs to absentees, and has commonly been considered to be annually taken from the stock of the national wealth, has been contributing to the further accumulation of the national wealth, as much as any other portion of the general income from land or other resources.

In respect to the effect of these remittances upon the rates of exchange, it becomes very obvious from this reasoning, that instead of operating in such a manner as to render them unfavourable to Ireland.

they are attended with no such consequence, because they increase the amount of exports, just in the proportion to their own amount; and thus produce no effect one way or the other upon the rates of exchange.

It is owing to the confused notion of national wealth being in proportion to the stock of money, that these errors prevail. For if such was the case, and the absentee repeived in London his rents in the same money as to species and quantity, in which his tenants paid them, no doubt the wealth of Ireland would become diminished. But as this doctrine has long been exploded, so should the prejudices to which it gave rise be also exploded. The opposite doctrine of Dr. Smith, with all its inaccuracy as to productive and unproductive labour, will clearly shew, that the rents of the absentees cannot be remitted, except through the medium of trade, namely, by bills of exchange that are received in payment for the exported pro-

ductions of Ireland; and, therefore, that the rents being applied in purchasing these productions, do all contribute to their fullest powers to encrease the productive labour, or, more accurately, to encrease those comforts, necessaries, and luxuries, which form the fund that constitutes national wealth.

In looking to the remittances of an opposite nature, namely, those of the Loans from London to Dublin, we shall find them to be in good truth extremely injurious to Ireland. They are to their amount nothing else than a fund in London, by which the remittances to absentees are paid, and other sums payable in London; for, instead of the necessity existing to export Irish produce for payment of these remittances, the drafts of the Irish treasury upon the Loan supply a readier, and more obvious means, of remittance. These Loans, therefore, do actually diminish the exports of Ireland in the proportion of their amount, just in the same manner as the remittances of rents as to render them unfavourable to Ireland.

&c. contribute to increase them. There, are two striking occurrences which support this mode of argument; the first is, the regular decrease in the amount of the Irish exports since the practice of making Loans in London has become general; and the second is the great increase in the exports of Great Britain during the first three years of the last war, whilst the foreign expenditure by Loans to the Emperor, and maintaining the British army on the continent, was of excessive amount.

On an average of ten years, to 1799, the year in which the first Loan was made, the annual excess of exports above imports was £812,645; from 1796 to 1800, only £438,858; and from 1799 to 1804, the imports have become greater than the exports, and the average excess has been so high as £995,008.* The whole effect of the Loans in diminishing the exports may therefore be taken at the amount of the average of the excess of exports preceding 1797, and the aver-

age of the excess of imports in 1799, which is £1,807,653. The amount of the Loans borrowed from 1796 to 1804 is £16,250,000, which, on an average of seven years, makes £2,321,429; and therefore this very remarkable conclusion is the result of this practice of borrowing in London, that in the course of seven years the annual exports from Ireland have been diminished in very nearly the exact proportion of the annual Loan, the difference being £513,776.

The second occurrence which has been alluded to, as proving the theory here advanced concerning the effects of remittances upon exports, namely, the foreign expenditure of Great Britain in the first years of the last war, is very aptly calculated to corroborate the opinion, that the remittances to absentees increase the exports of Ireland. The total amount of this expenditure for the services of the war in the West Indies, the continent of Europe, in the island of Corsica, and other distant parts of the

as to render them unfavourable to Ireland

world, amounted, during the four years, from 1792 to 1797, to £33,510,779.*

The consequence which attended this circumstance, was a proportional increase of exports. It appears, from the evidence of Mr Irving before the committee of House of Lords, that the exports to Germany alone amounted, for the last two years, to £8,000,000 per annum; when in time of peace they did not usually amount to more than £1,900,000† an increase which cannot be accounted for by any other means, than the necessity of paying this expenditure by the productions of Great Britain.

The point of view in which there appears to be some degree of reason for complaint concerning the absence of so many landlords from Ireland, is the exemption of their income from the effects of Irish taxation, and consequently the imposing

* Rep. Lords Com. on the Bank 253.

† Ibid. 254.

of the share of taxes, which in the common course of things it would pay, upon the income of the resident landlords. But as the absentees, by the expenditure of their property in England pay such heavy taxes, and Ireland certainly derives an indirect benefit from these taxes, inasmuch as they contribute to pay the expences of the general system of defence, which is necessary for both countries, it is not strictly just to complain, that the income of the absentees does not pay any proportion towards the defence of the country from which it is derived.

When we come to consider the effects of so much of the property of Ireland being possessed by absentees, in a manner distinct from the effects of it, when considered only with regard to the national wealth of Ireland, it must be admitted, that serious injury attends the non-residence of so many persons of great fortunes, and the want of that kind of influence which is so useful amongst the lower orders of the

people. But much of this injury might be prevented by a better practice of management of absentee property. It is scarcely credible, how little value is derived by the landlord from property of this kind in comparison to that which it is capable of yielding; and this in consequence of the same mismanagement that renders the tenantry upon it more wretched and more distant from civilized habits, than the tenantry in general of Ireland. This mismanagement arises from the inattention of the proprietors in appointing their agents, and the further inattention of them in controling their proceedings. If men were selected who were of respectable character, and of that order in society as to enable them to combine the duties of an agent and a magistrate, little more would be wanting to prevent any injury from arising from this system of absentee property, than the occasional visits of the landlords themselves. Where such a practice has been followed, the advantages in point of

income to the landlord, and in point of amendment in the state of the tenantry, have been beyond calculation; it is one that contributes most effectually to promote the internal improvement of Ireland, and is deserving of being adopted with earnestness by every landlord, who cannot or does not wish to reside there.

OF THE SILVER CURRENCY OF IRELAND.

THE late occurrences in Dublin concerning the silver coin, add very considerable interest to the observations which have been made respecting the dangers to be apprehended from permitting the standard value of currency to become depreciated. The alarm which it occasioned in Dublin, by a total stagnation of business for three days, and the difficulties which still prevail, should operate as a warning to take measures in time for warding off the still greater alarm and difficulties which would unavoidably attend a more extensive depreciation of paper. The silver coin of Ireland appears to have approached nearly the state of assignats in France immediately previous to their being altogether abolished. The debasement of it has been so tacitly acquiesced in by the public, and

by government, that the measure of depreciation has been filled, and no other remedy can be applied, than an immediate new coinage. The same acquiescence would produce inevitably the same consequences in regard to Bank paper. It is not, however, to be supposed that any such acquiescence will take place, now that the danger of it has been so clearly exemplified; but the theory of the depreciation of paper currency having been so strongly supported by the fate of the debased silver coin, the danger of obliging the Bank of Ireland to pay their notes with whose of the Bank of England, will not be considered so formidable as that of a more enlarged depreciation of Bank paper.

To attempt to reform the existing silver coin, will be labour in vain. If dollars only are issued, they will soon be fabricated into flat shillings. If coined shillings even are issued, they will also be melted, unless the issue of them is sufficiently great to render it practicable to call in the base

coin. As a new coinage of silver might be effected without any loss to Government, by adopting such a seignorage as would defray the purchase money of the bullion, and the expense of stamping, there does not appear any good reason why the trouble and exertion necessary for issuing it should be dispensed with. The price of silver bullion in Ireland being so much higher than it is in England, there is no danger of the new coin being remitted to England; and if it were made a practice with shop-keepers and public offices to weigh shillings, this circumstance, and a well-executed die on the coin, would completely put an end to the trade of making counterfeits.*

* The present appears a good opportunity for making the currency of Ireland in every respect similar to that of England. If beside a new silver coinage, a coinage of copper was also adopted, and the value of it so settled, that 12 pence should be equal to a shilling, the great trouble and inconvenience attending the settling of accounts according to the present value of the copper

OF THE ATTEMPT OF THE LINEN MERCHANTS TO INTRODUCE BANK PAPER INTO THE NORTH OF IRELAND.

In November, 1803, the linen merchants of the North of Ireland held a meeting at Dungannon; and entered into resolutions stating the heavy loss they sustained by purchasing guineas to make their payments for the goods they purchased. They at the same time determined to apply to the landlords of the North, to take Bank paper in payment of their rents, which application was countenanced by the support of the Irish government. Their complaints however were perfectly erroneous, and appear to have arisen from not making a proper distinction between payments made

coin would be removed. But this plan should be attended with a regulation that all payments on instruments executed prior to the alteration, should be payable according to the usual coinage.

under contracts and agreements of some standing, or under those of the present day, or even of the moment of purchase. Thus, if a tenant who executed his lease in 1796, pay his rent in Bank notes, he pays less by ten per cent. than the real rent reserved. If a tenant executed a lease in 1803, understanding that he was to pay his rent in Bank notes, as he would pay a rent in proportion to the advance which has taken place in the nominal value of land, and in the course of the ensuing year Bank notes became convertible into specie, he would then have to pay 10 per cent. more than the real rent. Thus the great evil attending a depreciated currency is an actual violation of all money contracts. In the one case, the landlord is the loser, in the other the tenant; because they cannot increase their incomes in the same proportion in which the value of currency is diminished or increased. In all mercantile transactions the price affixed is the real value of the com-

modity to be sold, compared to the value of that with which it is to be bought. If the manufacturer pays high wages to his weavers, he sells at a higher price to the shop-keeper, and the weaver pays a higher price for his food: and thus, if the linen merchant pay 10 per cent. more for his linens in consequence of the depreciation of paper, he is repaid that 10 per cent. when he sells his linens in London, by the high rate of exchange against Dublin, produced by the same depreciation.

OF THE CONDUCT OF THE DIRECTORS OF THE BANK OF IRELAND.

We cannot close these observations without again adverting to the conduct of the Directors of the Bank of Ireland. To that only are to be attributed the evils which are complained of; for though the restriction of cash payments may be the original cause, it must be admitted, that if their conduct had been of a cautious and disinterested nature, no grounds of complaint could exist. It must at all times have been the principal object of the attention of the Directors to issue and keep in circulation as much of their paper as possible, because their profits arise from the discount on these issues. Whilst they were obliged to pay their notes in specie, a certain degree of caution was necessary in extending their discounts, and it was impossible for them to make their issues excessive. When this obligation to

pay in specie was removed, they were at once relieved from a restraint, which they must always have considered as a great obstacle in the way of their interests. And it would appear from what has since taken place, that the liberty they acquired obliterated every sentiment of duty to the public, and gave vent only to such feelings and such measures as could only be the result of an inordinate thirst for gain. The depreciation of their paper cannot now be viewed in any other light than as a work of usury. The violation of every money contract in the kingdom has been of no weight in the scale when placed in competition with the 5 per cent. to be made by accommodating the merchants of Dublin. Nor have these guardians of the commercial interests of Ireland permitted their measures to be influenced by the burthens imposed upon trade by the high rates of exchange. Though their proceedings may have arisen from a want of discrimination in comprehending the injury which might result to the

public by a depreciation of the currency, and to themselves by being the source of a public calamity, it is, however, necessary for them to consider well the sentiments which are entertained respecting the credit and the utility of the Bank. Should their rule of conduct continue similar to that which it has been, in defiance of the most correct and well founded arguments, and the clearest facts; and if they cannot discover a cause of the evils complained of, in an unfavourable balance of trade, in a supposed advance in the real value of guineas, or in the issues of private paper, the public certainly have a fair claim upon them, to explain upon what principles they proceed, and in what manner they can meet and subvert the reasoning of those persons, who have ascribed the depreciation to their misconduct. They must either adopt a new system of management, or prove that the value of Bank paper depends upon some other principle than that of the demand compared with the quantity in the market,

and that the exchange between any two countries is regulated by some other circumstance than the value of the currencies in each of them. The directors should remember, that their corporation was established as a measure of public utility; that it received many privileges from the public through Parliament, and enjoys much of its profits from the species of Banking monopoly which it possesses. When a charge therefore is brought against this institution of such a heedless exercise of its powers, as that of inundating the country with its paper; of diminishing the value of the greatest portion of the property of the country; of establishing a ruinous rate of exchange; and of bringing upon the state all the calamities attending a depreciated currency, it is full time for those who are interested in its future welfare to make an atonement to an injured public by some change in their system. It would be unreasonable in the Bank Proprietors to expect; it would be unjustifiable in Govern-

ment and Parliament to permit a further trial of such a system of Banking, if, after the consequences which have attended it, it be persisted in. To know that it is persisted in, it is only necessary to examine the amount of notes in circulation in February and November, 1803. It was not to be expected after the conduct of the Directors had been so severely censured in Parliament in the early part of 1803, after the writings of Mr. Boyd, Sir Francis Baring, Mr. Thornton, and Lord King, had fully explained that a depreciation must necessarily result from an excessive issue of paper, that the increase in their issues should be no less in the short period between February and November, than 328,179*l.** When it is also in the recollection of every one, that in the month of last December, an advertisement in the public papers announced a dividend of 7½ per cent. and a bonus of 5 per cent. upon the stock

* See Appendix, Nos. 2, & 3.

of the company,* who can say that the Bank of Ireland, incorporated by the public, and receiving from the public every benefit of monoply, have fulfilled their duty?

* BANK OF IRELAND

A Dividend of 3¾ per cent. will be made to the Proprietors of Bank Stock, for the half year ending the 25th instant, on and after the 2d of January next.

And a Bonus of 5 per cent. will be paid at the same time to the said Proprietors.

By order,

THOMAS WILLIAMS.

Bank, 13th of Dec. 1800.

OF THE POLICY OF CONTINUING THE RESTRICTION.

NOTWITHSTANDING the previous discussion has immediate reference only to the local circumstance of Irish currency and exchange, the result is of a nature which contributes much to explain the science of currencies in general, and to corroborate the opinions of those who maintain that the currency of England is depreciated.

The same mode of reasoning applied to the state of English Bank paper will afford a proof of improper issues of it being the cause of this depreciation, and of the unfavorable exchange which have existed between London and the continent; and this inference may be drawn from it, as applicable to both England and Ireland, that paper credit, now that Bank notes cannot be converted into specie, no longer

posesses the essential and vital qualities which in the first instance secured to it the confidence of the public, and justly affixed to it the character of being the main pillar of the wealth of these realms.

Thus has the restriction of cash payments produced a complete revolution in the commercial operations of the British Empire, rendering the appearance of their prosperity delusive, and its future stability, should the restrictions be continued, highly problematical. Though salutary in the first instance in relieving the difficulties of the Bank; though it may be possible, that a currency of paper might exist of steady value, and also notwithstanding the renewal of cash payments may be thought a measure fraught with great difficulty, it would appear, now that the original cause of the restriction no longer exists, the restriction should have ceased with it.

It is agreed upon by most writers that the commercial difficulties of 1793 and 1796, the latter of which gave rise to the

restriction; were the consequences of a circulation not sufficient to meet the demands of trade. The evil now complained of both in England and Ireland being a superabundant circulation, it is evident the policy of continuing it must rest upon circumstances entirely different from those which occasioned it. The ministerial argument in favor of its being continued was, that the exchange between London and the continent being against London, it must necessarily follow, if cash were issued by the Bank, that it would be immediately taken out of circulation and exported. That this would be the result, while exchange was unfavorable, it is not difficult to comprehend, or necessary to deny. But it is very evident from what has been before advanced respecting the plan of obliging the Bank of Ireland to pay in English notes, that the immediate consequence of the payments of cash by the Bank of England would be a favorable exchange with the continent; and it is

more than probable, that the very determination to take off the restriction would produce a favorable exchange even before cash was issued. For it is notorious, that the adopting merely the plan in 1793 of making Loans to merchants by exchequer bills relieved trade from its difficulties, before any Loans were actually made.

If the reasoning advanced in this work be correct, and if the facts which have been stated be well authenticated, there evidently does not exist any good cause for continuing the restriction of cash payments. The disadvantages which must result from it are certain, the danger that may be the consequence of relinquishing it is merely conjectural: under such circumstances there should not be any hesitation, in removing without delay the origin of all the evils which are complained of, and are still to be apprehended.

REMARKS

Upon the Evidence given before the Committee of the House of Commons, appointed to inquire into the State of Ireland, as to its circulating Paper, &c.

DEPRECIATION OF IRISH BANK PAPER.

Mr. Burrowes, Mr. Barnwell, Mr. Coningham, Mr. Roach, and Mr. Marshall, agree in considering the premium on guineas, as proof of a depreciation of Bank paper.—P. 13, 43, 56, 88, 116, of Evidence.

Mr. Colville stated that "depreciation is entirely a relative term. The Irish Absentee feels it in purchasing a bill in

London; in that relation he feels a depreciation of 10 per cent."---P. 143, Evid.

Mr. D'Olier. "The mere buying of gold at an advanced price, beyond that of the mint, is the effect, and not the cause of the exchange, and therefore no proof of the depreciation itself."---P. 105, Evid.

Mr. Irving. "I attribute the premium I have heard is paid on guineas to the disposition in its inhabitants, to hoard or conceal the precious metals."---P. 58, Evid

Mr. Harman. "I should rather say, that gold was increased in value, than paper depreciated."---Ibid.

It is necessary only to make a few very short observations, to show that the opinions of these three last gentleman cannot be maintained.

To admit the position of Mr. D'Olier, would be to subvert the whole system of that part of political science, which relates to exchanges and currencies. To assume for cause what is effect, and to expose the practice of the Banks of England and

Ireland as useless in limiting their discounts, as they formerly did, when exchange became unfavorable, and it was necessary to vary its rates in order to prevent a drain of specie.

The Banks, before the restriction, found out, that whenever exchange was unfavourable, a considerable demand for specie ensued. To obviate this, they contracted the quantity of their paper, exchange became favourable, and the demand ceased. Their interests made them formerly adopt this policy to save their guineas, their duty should now have made them adopt it to preserve the value of the currency, and keep the exchange free from fluctuation. But they have acted upon the rules of practice, not upon the principles of science, and therefore after the restriction, when they could be no longer affected by the demand for specie, whenever exchange became unfavorable, they no longer considered it necessary to contract the quantity of their paper, and thus the degree of depreciation and the rates of exchange have advanced pari passu.

CAUSE OF THE DEPRECIATION.

The evidence of Mr. Barnwell, Mr. Coningham, Mr. Roach, and Mr. Marshall, confirms the doctrine already advanced that the cause of the depreciation is an excessive issue of Bank paper.—Evid. P. 43, 55, 88, 17.

Mr. Puget stated that he did not think the Bank of Ireland paper excessive.—Evid. P. 3.

Mr. Burrowes. "The depreciation arises from withdrawing the common medium of circulation, guineas, and from the local situation of Ireland, that is, from her not making part of Great Britain, not having the same means of defence, and being exposed to internal rebellion. It arises from a want of confidence in Bank paper, not from any excessive issue: and this want of confidence from political causes,

not from doubts of the solvency of the Bank of Ireland. The paper suffers a depreciation in common with all the property in the country, and is not influenced by the quantity within what may be deemed a fair proportion for the gold in the country."

"A disadvantageous balance of trade cannot be the cause of the depreciation."—Evid. P. 7, 10, 11, 14.

The evidence of Mr. Burrowes is deserving of attention; it accounts for the depreciation of paper as a necessary attendant upon a depreciation of property, the consequence of Ireland being exposed to foreign invasion and internal rebellion. Mr. Burrowes appears to consider fluctuations of politics as more intimately connected with fluctuations in currency, than the state of Ireland will authorize. If the property of the country were at any time in a precarious situation; if three years of war, three years of internal commotion could diminish its value, it would have

been very much depreciated in December 1796. Yet the Bank paper of Ireland was not then depreciated; nor was it depreciated in 1798, the year of the rebellion. Since this year, the country has been more safe from invasion or rebellion than during any former period; and though of late the prospect of being subject to these scourges has been greater than ever, the security both of persons and property has been increased in a much greater proportion, and no inconvenience or injury has yet been experienced in carrying forward the commerce, the manufactures, and the agriculture of the country; on the prosperity of which the property of the country certainly is depending.

It appears from the Appendix to the Evidence, that the amount of the imports and exports in the year ending 1804, was near ten millions; in 1803, eleven millions; in 1797 it was 8,900,000*l.* in 1796, 9,600,000*l.* in 1795, 8,800,000*l.* in 1794, 7,800,000*l.* in the year ending 1793, the

year before the commencement of the war, 9,000,000*l.* (See Appen. R. Evid.)

From these considerations it is very evident, that the property of Ireland is not diminished, and therefore that the opinion of Mr. Burrowes, respecting the cause of the depreciation of Bank paper is not tenable. The only exception to be made to this conclusion is, the depreciation of the landed property, which is clearly the effect not the cause of the depreciation of paper. The cause of this depreciation must be sought for among other more recent events than those affecting the security of Ireland: and as the principle upon which the excessive issue of paper is considered as a sufficient cause, is one upon which the value of every thing is regulated, viz. by the proportion between the quantity and the demand, it is evidently safe to coincide in the opinion of Messrs. Barnwell, Coningham, Roach, and Marshall.

CAUSE OF THE HIGH RATES OF EXCHANGE.

The object of the appointment of the Committee being the attainment of some efficient remedy for the unusual high rates of exchange between Dublin and London, the investigation of the cause of them has necessarily occupied a considerable portion of their attention. The persons examined are all perfectly conversant in the practice of exchange dealings, and have acquired very great estimation for their knowledge as experienced and enlightened merchants. The questions which were proposed carry with them evident marks of great knowledge in commercial polity, and of the impartial and unbiassed manner in which the proceedings of the Committee were conducted. It remains to examine how far the answers which were made contribute to unfold the true cause of the high rates of exchange.

The opinions, contained in the evidence, may be ranged under two heads. The one formed on the supposition that there is a debt annually incurred by Ireland, to be paid to England, by an unfavourable balance of trade, remittances to absentees, and interest on loans. The other under the conviction that no such debt exists, and that even if it did, an excessive issue of paper could alone cause such high rates of exchange.

The solution of the question, therefore, respecting the cause of these rates, depends upon this one fact, whether or no the balance of trade and remittances is in favour of or against Ireland. Eight of the gentlemen have given it as their opinion, that the balance is against Ireland, and that it is the cause of the advance in the rates of exchange.* Mr. Burrowes,

* Mr. Puget. "I should suppose the rise in exchange arose from the balance debt being in favour of England."---Evidence, p. 2.

Mr. Harman. "The cause of the exchange is the

Mr. Coningham, and Mr. Marshall are decidedly of opinion, that the balance is in favour of Ireland, and that the depreciation of Bank paper is the only cause of the unfavourable exchange. It is not attempted, by either of the eight gentlemen to enter into the accounts, as they stand, between the two countries, to show in what manner the balance becomes against Ireland, farther than by stating the sums remitted to England in payments of

same which has always operated, and will continue to operate, in the negociations between any two countries, when the balance of debt is agianst the one of them."---Ib. 27.

Mr. Winthrop. "I am persuaded the balance of trade is considerably in favour of Ireland." If the sums of money remitted to the nobility and gentry, residing in England, amount 2,000,000*l.* or half this sum, it would fully account, in my opinion, for the high rate of exchange."---Ib. 34.

Mr. Barnwell. "It is at present very high (the exchange) attributable to the demands of this country on Ireland, exceeding the demands of that country upon this."---Ib. 43.

interest on loans, and of rents to Absentees. They, for the most part, argue, that the existence of the unfavourable exchange proves the unfavourable balance. Mr. Marshall has given in evidence a very elaborate and minute account of the trade and items of pecuniary remittance between England and Ireland, which exhibits, in the clearest manner the respective relations of both their debits and credits, and affords most convincing proof of the cor-

Mr. Irving. "Judging from the state of exchange, I should be of opinion, that the balance of trade, or rather of payments, is in favour of England."--Ib. 60.

Mr. Roach. "I conceive them (the general balance of payments) against Ireland." Ib. 89.

Mr. Colville. "I decidedly and clearly consider the unfavourable exchange to be, that Ireland owes a great deal more money to Great Britain than she is able to pay."---Ib. 14.

Mr. Beresford. "The considerable sums of money which we remit for the charges and interest of loans, and a number of other things, render the amount of payments, to be made by Ireland to England, considerably greater than what she has to receive from England."---Ib. 108.

rectness of the positions advanced in this work, in regard to the operations of currency on exchange, and to the cause of the high rates of it.

The importance of this investigation is so great, that the insertion of the following long extract will, it is hoped, be excused. It is copied verbatim from the evidence of Mr. Marshall.

" You stated in your last examination, that you would lay an account of the pecuniary intercourse between England and Ireland before the Committee; are you now prepared so to do?---Mr. Marshall. Yes, I will now state the account. The objects of it are to ascertain, first, whether the balance of debt has upon the whole been more or less favourable to Ireland in the six years which followed the suspension, than in the six years immediately preceding it; by balance of debt, I mean the balance on the entire pecuniary intercourse between the countries. The second object of this account is, to show whether the balance of

debt has influenced the depreciation of the paper currency. With regard to the first object, there are no documents which ascertain, with any degree of certainty, the drains by smuggling, the remittances made to absentees, and many other matters; but all the difficulty which arises from the want of such documents, may be removed by assuming that the general balance of debt must have been favourable to Ireland at the period of the suspension, as the exchange in Dublin was then steadily favourable; because we are able to show whether the circumstances which have since arisen have had any, and what effect, upon the state of things assumed to have been favourable at that period. The general balance of debt may be divided into six heads: in the dividing of them, I will beg leave to state, under each head, whatever new circumstances have arisen since the suspension. 1st head—the drains by the practice of smuggling.—It does not appear that smuggling has increased, though we were at peace during a

part of the period, as far as it can be judged from a statement which I beg leave to submit to the Committee, of tobacco legally imported; tobacco being the principal article smuggled into Ireland, [Statement delivered in, and read.]---Appendix (Y).---2d head---the balance between the contribution of Ireland, and her expenditure for the public service at home.---No remittances have actually been made, hitherto, from either country to the other on this head. 3d head---the drains by absentee-landlords, mortgagees, placemen, pensioners, &c. The drains which have been added since the suspension, can scarcely have amounted to more than 500,000*l.* per annum. I beg leave to submit to the Committee a short statement on that subject. (Statement delivered in, and read.]---Appendix (Z.) By our having ceased to pay, since the Union, the six regiments on foreign stations, and to remit to England, ever since the suspension, the sum of 176,000*l.* per annum for the interest of the old debt to Great Britain, that

debt being now deducted from the Irish Loan raised in London, we may consider that half the additional drains above-mentioned, of 500,000*l.* per annum, has been counterbalanced. 4th head---the balance of remittances on account of the sale of estates and funds, and of loans and lotteries.---A larger sum than usual is said to have been remitted to England, on account of estates and funds sold in Ireland, but the excess, probably, has not amounted to 500,000*l.* or 600,000*l.* since the suspension: as to loans and lotteries, the balance is rather in favour of Ireland. 5th head---the balance of the imports and exports of Ireland, not only from and to Great Britain, but from, and to the rest of the world; our foreign trade being paid for, in general, by bills on London.---From the defectiveness of the official rates of value upon which our trade has been computed, (except during the last five or six years) we are not able to exhibit our balances even with relative accuracy; but a pretty good idea may be acquired of

the favourableness or unfavourableness of them, upon the whole, by running the eye over the quantities of the leading articles for any two periods.---Appendix (X.) An account, which I will deliver to the Committee in a day or two, is made out for that purpose: it contains the annual average quantities of the leading articles of the imports and exports, during the seven years ending 25th March, 1796: and during the seven years ending 5th January, 1803: but we must bear in mind that the exports have risen in value much more than the imports in the latter of the two periods; such a general inspection of this account will be satisfactory as to this point, namely, that upon the whole, notwithstanding the two years of scarcity, the result will not be more than a million, or a million and a half, against Ireland. 6th head---the remittances from the British Treasury, on account of Loans raised for Ireland. The British Treasury deducts from the last loan the interest upon all former loans, and sends the remainder

to Ireland; and (though it is a fact not generally attended to) not a single shilling of the interest upon these Loans has ever left Ireland since the suspension. The actual sums remitted to Ireland during the six years ending the 5th January, 1803, produced, as I have been informed, in Irish currency, about 8,000,000*l.* or 9,000,000*l.* and as no money was sent to Ireland, on account of Loans, for many years prior to the suspension, the whole of this sum of 8,000,000*l.* or 9,000,000*l.* is to be added to the favourable side of the general balance of debt: from this statement, it appears that no material alteration has taken place in any one of the two first heads; that the third head cannot possibly have drained Ireland, in the six years which followed the suspension, of more than 1,500,000*l.*; nor the fourth head of more than 500,000*l.* or 600,000*l.*; nor the fifth head of more than 1,500,000*l.*; and that under the sixth head the sum of about 8,000,000*l.* or 9,000,000*l.* has been actually remitted

to Ireland, which is more than double the amount of all the drains above-mentioned, widely as they have been certainly estimated; and therefore the balance of debt which was assumed to have been favourable to Ireland at the time of the suspension, has, since that event, been very considerably improved.

"Do you mean, upon the whole of your evidence, to give it as your decided opinion, that the general balance of debt between England and Ireland, including trade, remittances, and every pecuniary transaction, has been each year, since the restriction on specie, in favour of Ireland?---I do very clearly; except during the two years of scarcity: and upon the whole six years, taken together, the general balance must have been considerably in favour of Ireland."

"Can you state particularly to the Committee the grounds upon which, in your opinion, the balance of trade ought to be computed between any two coun-

tries?---I will endeavour to do so; but before I proceed, I beg leave to observe, that the balance of trade has always been very vaguely defined. The difference between the "value of our imports and exports," leaves us in much uncertainty as to the place where they shall be valued; that is, whether on the wharfs of foreign countries, or on the wharfs at home; whether we should include the profits of the merchants, &c. &c. And it is owing, perhaps, to this vague definition, that, in computing the balance of trade in Great Britain, our writers upon the subject have been led to take the imports at the increased prices which they produced when sold upon the wharf of importation, exclusively of duty, as if Great Britain paid such prices to foreign countries; whereas she did not, generally speaking, pay so much as the prices upon the wharf by the amount of the inward freight, insurance, and merchant's profit. And the exports also have been stated only

at the prices current upon the wharf, exclusive of duty, though they were sent to foreign countries, charged not only with the duty, but also with the amount of freight, insurance, and the merchants' profit; all of which came into Great Britain as well as the prices current upon the wharf.

"However, the prices current upon the wharf will serve as a good and safe foundation upon which the prices paid by the country may be computed; as will be shown hereafter in the case of Ireland.

"Every doubt as to what should be the component parts of the estimate of our imports and exports would be easily removed, were we to form in our minds a clear and precise notion of what we really mean by the balance of trade. In my humble opinion, it is, 'the difference between the value which a country *pays* for its imports, and *receives* for its exports.'

"Can you state the balance of the trade of Ireland for the year ending January,

1803, upon these principles?---I can, the balance was 1,816,814*l.* according to the returns of exports and imports made at my office. In computing the balance of trade upon these principles, I begin with stating the value of the imports estimated upon our own wharfs, exclusively of duties, to have been 7,654,114*l.* As this estimate is the basis upon which it is intended to proceed, I own that very great pains must be taken by the Inspector General, in order to form it; which, however, a little practice will enable him to do with considerable accuracy. The prices current of all the leading articles should be ascertained at the end of every quarter, and the value of quantities calculated upon each of them; by dividing the total value of each article for the four quarters, by the total quantity of it, very fair average rates may be obtained for the whole year. From the above sum of 7,654,114*l.* should be deducted:---

"1st. The expence of inward freight.

As we have few ships of Irish property, we are obliged, for the most part, to pay other countries for freight, and, therefore, no great deduction can be made on this head: Ireland possesses however, about tons of shipping, which must save some money in freight, the amount of which may be pretty nearly estimated, as soon as I shall be able to procure some documents as to the destination of ships and their respective cargoes, which the proper officer at the Custom-House is at present prevented from making out by a severe indisposition.

"2dly. The expences of insuring: few insurances are made in Ireland, except upon coasting vessels, which do not enter into this statement of our external trade.

"3dly. The next deduction to be made is the profit of the merchant: the imports, as above stated, were worth 7,654,114*l.* exclusively of duties; of this sum, one fourth was either entered upon value, or computed from the ad valorem duties, in

both which cases, the profit expected by the importers was not included; but the sum of 5,740,586*l.* being the remaining three-fourths, includes the merchants' profit, as the articles of which it is the value, were computed upon the prices current, or, in other words, *upon the prices which the articles would sell for (exclusively of duties) on the wharf of importation.*

" In order to ascertain, as well as circumstances will permit, the merchants' profit upon these three-fourths, or 5,740,585*l.* it should be considered, that a part of the articles of which that sum is the value has been sold here on English and foreign accounts, as it is called; that is, on commission, for the benefit of persons not residing in Ireland: in this case, almost the only profit of our merchants arises from a commission of 2½ per cent. upon the value of the article, including the duty, which last is a considerable portion of the whole value in rum, sugar, wine, &c. &c. &c. The commission in this

case, when calculated upon the value as stated by the Inspector General, who always leaves out the duty, will, however, be augmented to 4 or 5 per cent. nearly. In estimating the profit upon the articles thus circumstanced, as also upon those which are sold on Irish account taken together, much accuracy cannot be expected; I am informed by some of the most intelligent merchants of extensive dealings, that 8 per cent. would probably be near the truth, and certainly within it. At all events, in calculating the average profit at that rate, upon the proportion of the imports which is valued at the prices current, and upon all the exports at the rates hereinafter mentioned, we cannot err to the extent of 200,000*l.* or 300,000*l.* a sum which is of the less consequence, when we consider that it is in this particular alone we meet with any great degree of uncertainty in valuing the trade of Ireland, as far as it is returned to the Inspector General.

" The merchants' profit, at 8 per cent. upon the three fourths of the value of the imports, came to 459,246*l.* which being deducted from 7,654,114*l.* left 7,114,868*l.* being the value paid by Ireland for her imports.

" I come now to apply the same criterion to our exports, and to state what the country has *received* for them.

" Having ascertained their value upon the wharf (after deducting the bounties upon exports) to be precisely 8,571,412*l.* I must add to it:

" First, the duty, as the exports left Ireland charged with it; but the amount of duty upon exports is hardly worth our notice, being only about 11,000*l.*

2dly. The next addition would be freights and insurances; but we have little to add on either of these heads at present, for the reasons above stated.

3dly. The profit of the merchants: a very considerable proportion of our export trade is carried on by English and foreign

merchants on their own accounts. Sometimes they send factors over to us to buy our linen, in which case it does not produce any more money to Ireland than its value upon the wharf, and the duty, if any. In many instances, the Irish merchant is employed, by persons residing out of Ireland, to ship out linen, provisions, and corn, for English and foreign markets, for which he receives only a commission of from 2½ to 5 per cent. Above three-fourths of our linen are exported on English account. Under this circumstance, and taking into consideration the money which we pay for factorage in foreign markets, the rate of the merchants' profit upon the whole of the exports ought to be estimated much ower than upon the imports; if it is averaged at 5 per cent. upon the value of all the exports sold on English, Foreign, and Irish account, taken together, it will amount to 428,570*l.*

"These two sums, which come to 439,570*l.* being added to the value of the

exports upon the wharf of exportation, will make 9,010,982*l.* which is the value this country received for its exports.

" Thus we have received for our exports 9,010,912*l.* and paid for our imports 7,194,868*l.* which leaves, consequently, an actual balance in our favor of 1,816,114*l.*

" Do you state this sum of 1,816,114*l.* to be the whole of the real value of the balance?---I do; so far as results from the imports and exports returned to my office; but to this should be added, the value of such articles of Irish produce exported, as are never returned to me; namely,

" 1st. The value of a considerable portion of the linen shipped for Chester, and, I believe also, for Bristol and Liverpool, which is omitted to be entered, for the purpose of evading the payment of small local duties exacted at those ports.

" 2dly. The value of the provisions, &c. shipped by the navy agents in Ireland, for the use of His Majesty's Navy.

" 3dly. The profits arising to Ireland on tons of shipping of Irish property.

" 4thly. The value of the fresh provisions, &c. purchased for the use of outward-bound vessels, making upwards of 7,000 voyages yearly from Ireland.

" The total value of these several articles, and of some others of less consequence omitted to be returned to me, must amount yearly to a very considerable sum; but I have not, at present, the means of ascertaining it. It should be observed, however, that the import-side of our statements is also defective, 1st, by the non-entry of smuggled goods; and 2dly. by the underrating, sometimes, of certain articles which are charged with duty according to their declared value."

In reviewing the arguments and facts which have been advanced on both sides, it is by no means difficult to determine to which of the two a preference will be given. The accurate enumeration of every cir-

cumstance by Mr. Marshall, which may affect the balance between the two countries, renders it evident, that any argument deduced from the supposition that it is unfavorable to Ireland, is erroneous; and that the high rates of exchange have been attributed, without sufficient reason, to this supposed balance. If any thing were wanting farther to illustrate the correctness of Mr. Marshall's conclusion, it would be afforded by an examination into the principles upon which large pecuniary remittances from a country operate on its export trade; as it would appear from such an examination, that these remittances from Ireland, instead of being causes of high rates of exchange, are direct causes of such an advanced export trade, as is commensurate to prevent every tendency of the remittances to advance the rates of exchange; and that the loans borrowed in England for the use of Ireland, though apparently of service in forming a balance of remittance between the two

countries, are, in truth, of great injury to the export trade of Ireland, inasmuch as they provide a method of paying, without trouble, the annual remittances to absentees, which must otherwise be paid by, and would, in fact, be the direct cause of, an augmented export trade from Ireland.

Under all these different considerations, what has been advanced in this work respecting the real cause of the variation in the rates of exchange, may justly be said to have been stated upon good grounds, no circumstances having been advanced, throughout the evidence, which are calculated to disprove the theory upon which this variation is attributed to the depreciation of Bank paper.

REMEDY OF THE DEPRECIATION AND HIGH RATES OF EXCHANGE.

It appears, from the evidence, that one opinion only prevailed respecting the best remedy to be applied. The establishing a circulating medium common to both countries is this remedy. To effect it Mr. Burrowes proposed a consolidation of the national Banks, which project is considered impracticable by Messrs. Puget, Harman, Winthrop, D'Olier, and Colville.*

* Mr Puget. "I conceive the measure almost impracticable, and it might, at periods, prove very prejudicial to the commercial interests of Ireland." Evid. p 21.

Mr. Harman. "As far as I am able to consider the consolidation, it does not appear to be practicable; nor do I see how the object could be attained by it." Ib. 25.

Mr. Winthrop.—Question. Do you think that if the paper of such consolidated Bank was to be current

The most efficient means of attaining this common circulation, is pointed out by the evidence of Mr. Mansfield, a banker in Edinburgh, because they have been already resorted to; and in the case of Scotland were eminently successful.

The following is the substance of Mr. Mansfield's evidence:

After the peace of Versailles, exchange was from 5 to 6 per cent. against Scotland. The cause of it arose from artificial means, by people collecting gold from the different

in each kingdom, that it would become a common circulating medium between the two? "I do not." Ib. 31.

Mr. D'Olier. "I have certainly an opinion that it (the consolidation) will not answer any useful end, as to providing a common circulating medium. I know no practicability of the consolidation of the two Banks; and I do not believe that it would meet with the approbation of the Proprietors or Directors of the Bank of Ireland."—Ib. 134.

Mr. Colville. "Such consolidation would, in no shape, answer the purpose for which it is intended, to create a circulating medium, common to both countries."—Ib. 144.

Banks, bringing it to London, and passing their bills at Edinburgh for the same. This lasted for a considerable time; it began to alter about 1770. The two chartered Banks of Scotland, seeing that exchange arose from artificial means, began to think of collecting as much funds as they could to bring to London of their own. Those funds they lodged partly with the Bank of England, and partly with their own Bankers; and the Banks then began to reduce the rate of exchange gradually, by beginning at, perhaps, half per cent. or one per cent. less in drawing on London than the common rate, till they reduced it to what it has since been.

At the time exchange was most against Scotland, the currency of Scotland was principally paper, and that to a greater extent than the natural trade of the country required. After May, 1766, the chartered Banks of Scotland finding that they had given imprudent credit to Bankers and their agents to issue notes, they curtailed

them very much, and cut off the credits of the agents of the country Banks who held accounts with them. The unfavourable state of exchange commenced nearly at the time when these extraordinary credits were given, and the new Banks were instituted. The system of the chartered Banks contributed to diminish the too great extension of paper, which was composed partly of that of the old and new Banks. Mr. Mansfield said, "I certainly think that the over issue of paper was the cause of the high rate of exchange." No inconvenience arose from the change of the system, besides the temporary one of the Banks being obliged to provide funds in the first instance in London; on the contrary, it has been productive of the greatest good. The exchange was brought gradually to a fixed rate, and has continued at that rate ever since the Banks paid their notes by bills on London, at a fixed date.

Mr. Mansfield farther stated, that he thought the balance of trade and remit-

tances was against Scotland, and that a mutual communication of trade might exist between the two countries, without creating any exchange at all.

This evidence of Mr. Mansfield's is of a nature particularly applicable to the state of Ireland. The evil complained of in Ireland is the same as that which was experienced in Scotland, an excess of paper. The effects produced by it in Ireland, are the same as those which were the result of it in Scotland, viz. an unusual and fluctuating high rate of exchange. The remedy, therefore, which was successful in Scotland, is one that ought to be successful if applied to Ireland.

Mr. Irving's evidence coincides with this opinion. "I think a fund being invested in London, upon which the Bank of Ireland might, at all times, have it in their power to operate, would give them the ability of correcting fluctuations of exchange. The fund which would be most convenient to invest, I should consider to

be Government securities of England, bearing interest, which, at all times, might be converted into cash, according to the demand; such as exchequer bills. I take it for granted, that there is a fund in England to be remitted to Ireland, which, in place of remitting, I would invest in the manner before stated."---Evid. p. 60.

The only difference in the state of Ireland from that of Scotland, when the chartered Banks first began to lower the exchange, is this, they had to form a fund in London, at a considerable expence and some risk; but the Bank of Ireland may have one to the amount of two millions without any expence or risk, if the loan for Ireland be invested, according to Mr. Irving's plan, in the Bank of England.

The operations of this plan require to be examined in two points of view; first, as to its efficacy in maintaining exchange at all times, at one steady rate; and, secondly, as to the effect it might produce in diminishing the quantity of paper in circulation in Ireland.

In regard to the first consideration, it would appear necessary, that the Bank of Ireland should be obliged to form a fund of their own in England, as an equivalent for the expense which will be saved to them by Government, in the first instance, permitting the loan to be at their disposal: for were it not made obligatory upon them to do so, and should the practice of making loans in England be discontinued, and the restriction of cash payments be further deemed unavoidable, it must necessarily follow, that the exchange would again become fluctuating and disadvantageous. That any loss would attend the forming of such a fund in England is not either probable or possible, consistent with the fact of a balance of payments in favour of Ireland.

The evidence of Mr. Coningham corroborates this opinion.

"This project (of obliging the Bank of Ireland to pay in Bank of England paper) would not much increase the Bank

of England paper. My reason for thinking so is, that the people of Ireland would not have occasion to call for a great quantity of these notes; for I think the rate of exchange would instantly fall to such a price as would enable the remitters in Ireland to purchase bills of exchange on London on cheaper terms than they could procure the notes payable at the Bank of England."---Evid. p. 57.

The effect of this plan upon the quantity of paper in circulation, would certainly be an immediate and extensive diminution of it. The Bank of Ireland would no longer be in a situation to issue paper to whatever extent they pleased; the power of converting their notes into bills at par on London would afford as efficient a control over their issues, as the payment of their notes with specie. This control, as it would operate to limit their issues, so would it, by that limitation, operate as a control over the issues of private bank paper; and thus a complete remedy would be attained for the depreci-

ated state of currency in Ireland, and the high rates of exchange between Dublin and London, so long as the paper of the Bank of England itself remains free from depreciation.

We cannot conclude without apologizing for the great length of these Remarks. But when it is considered, that this work was first published in the early part of last year, previous to any investigation in Parliament, and almost even mention of the subject, it will not appear extraordinary that an attempt to examine into its nature has been extremely difficult, and that any arranged course of proceeding with the investigation of it, has been frequently interrupted by the necessity of refuting the several arguments that have been advanced since the attention of the public has been bestowed on a similar inquiry. The author has the satisfaction of observing, that notwithstanding the theory he adopted was rejected, in the first instance, by the unanimous opinion of every person who had

or who had not, considered the subject in Ireland, and was since rejected and opposed by several of the most experienced gentlemen who gave evidence to the Committee, that the correctness of it is most amply substantiated by the result of the exertions of the Committee. The author has also the farther satisfaction of observing, that these exertions have been productive of such information as points out a safe and efficient remedy for the evils which have been experienced; and cannot close this work without bearing testimony of the great benefits which have already been derived from the active and persevering zeal of that able statesman who proposed, and conducted, the proceedings of the Committee of Inquiry.

APPENDIX.

No. 1.

Tables of the Course of Exchange between Dublin and London, from 1789 *inclusive.*

Years.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.
1789	8¼	9	9½	9¼	8¼	8	8⅜	8⅛	7¾	8	8	8
1790	8¼	8⅜	8¼	8¼	8¼	8¼	8⅜	8⅛	8⅛	8	8	8⅛
1791	8¼	8⅛	8⅛	8¼	8⅛	8¼	8⅜	9	8⅜	9	8⅜	8⅛
1792	8¼	8⅛	8½	8¼	8⅛	8⅜	9	8⅞	8⅛	8¼	8¼	8
1793	8½	9	9½	9½	10¼	10½	10⅜	10	9¼	9	8⅜	8⅛
1794	8½	9	8¼	8	8⅛	8⅛	8⅛	8⅛	8⅛	8¼	8⅛	8
1795	8⅛	8¼	8¼	8¼	8⅛	8¼	8⅛	8½	8⅛	8	8⅛	8
1796	8⅜	9¼	9	9½	9	10	9⅞	10¼	10¼*	10¼	10¼	10⅛
1797 £. 621,917 of Irish bank notes in circulation	10¼	8⅞	9¼	6½	8½	8¼	7⅜	7¾	7*	7¼	7¼	7
1798	8⅛	9	9¼	9	9¼	9⅜	9⅜	8	8	9	9¼	9
1799	10	9¼	9⅞	11	10	11¼	11¼	11⅜	11⅜	12	12¼	14½
1800	13½	12¼	12	11¼	11¼	10¾	10¼	11¼	12¼	10⅛	10⅜	10⅜
1801 £. 2,266,471 of Irish bank notes in circulation	11	12¼	12½	14	14	13½	16	14	16	13½	11	11
1802 £. 2,678,980 of Irish bank notes in circulation	11½	12	12½	13	11¼	12½	12¾	11½	12¼	12	12	12
1803 £. 2,911,628 of Irish bank notes in circulation	12	12⅞	13⅜	14½	14¼	13½	14⅓	17	15½	17	15⅜	16¼

N. B. *The rates here stated are the averages in each month. In December,* 1803, *the exchange was at one time* 19 *per Cent.*

* In September, 1797, exchange was as low as 6 per Cent. It was in this year that the first Loan was borrowed for Ireland in

No. 2.

count of Bank of Ireland Notes in Circulation at different periods, (including Post Bills under 5l.) presented to the House of Lords, pursuant to an Order, dated February, 1803.

1797,	January 1,	621,917
	April 1,	737,268
	June 1,	808,612
	September 1,	959,999
1801,	April 1,	2,266,571
	May 1,	2,405,414
	June 1,	2,850,012
1802,	June 1,	2,678,980
	August 1,	2,628,958
	Oct. 1,	2,528,951
	December 1,	2,530,867
1803,	February 1,	2,633,864

id; and it appears to have been the cause of this l low rate. In September of this year there were 000 of the Loan to be received by the Irish Treasury, the sending of it into the market would have caused a wer rate of exchange, and great loss would ensue to the an application was made to the Bank of Ireland in or- raise upon the English notes in which the Loan was ich a sum as was necessary for the usual treasury pay- The Directors would not be concerned with these " further than was consistent with the good of the ic, by preventing the exchange from falling unna- y low."

circumstance is an additional proof of the operation preciated currency upon exchange.

No. 3.

An Account of the Amount of the Notes of the Bank of Ireland in Circulation (including Post Bills) on the 25th Day of each Month, from February to November inclusive, presented to the House of Lords, pursuant to an Order, dated Dec. 12th, 1803.

	l.	*s.*	*d.*
Feb. 25,	2,583,448	11	9
March 25,	2,599,759	0	0½
April 25,	2,688,289	10	7
May 25,	2,722,401	6	11½
June 25,	2,567,202	10	4½
July 25,	2,855,801	18	5½
August 25,	2,919,736	1	10
Sept. 25,	2,752,370	0	2
Octob. 25,	2,803,364	8	5
Novem. 25,	2,911,628	4	1
1804			
Feb. 25	2,976,464		
1805			
Feb. 25	2,866,764		

No. 4.

Exchange between Belfast and London, and Belfast and Dublin.

1803, June 1,	Belfast on London,	8¼
	- - - - on Dublin,	5¼
July 1,	- - - - on London,	8¼
	- - - - on Dublin,	6
August 1,	- - - - on London,	8¼
	- - - - on Dublin,	7
Sept. 1,	- - - - on London,	7
	- - - - on Dublin,	11½
Oct. 1,	- - - - on London,	7½
	- - - - on Dublin,	8½
Nov. 1,	- - - - on London,	5½
	- - - - on Dublin,	11¼
Dec. 1,	- - - - on London,	5¼
	- - - - on Dublin,	11½

No. 5.

An Estimate of the Remittances to Absentees.

Mr. A. Young, in the second part of his 2nd. vol. of the Tour in Ireland, has given a list of the Absentees, which he formed from the information he received in each

county, during his tour, and with as much accuracy as the nature of the subject would admit.---It appears that the amount of rents payable to Absentees was in 1780 - - - - - - - - - *l.* 732,000

Deductions necessary, in order to show how much of this sum is at this time actually remitted to England.

Five per cent fees to Agents, &c. - -	*l.*36,600
Two per cent. quit rents - - - -	14,644
Sales to persons resident in Ireland - - -	50,000
Rents now paid of the above to do. - -	60,000
Interest on money secured on the above to Irish Creditors ⅛ of the whole - - -	90,275
	251,519--251,519

Actual remittance of Rents payable in 1780.	*l.* 480,681
Additions to show what the actual remittances now are.	
For net rents payable to new absentees since the Union, and remittances to members of Parliament, and remittances in general, in consequence of the Union and the rebellion, suppose - -	500,000
For interest on money secured on Irish property to English creditors, suppose - - - - - -	500,000
	l. 1,480,681
To be added to make up the remittances for 1803, 2,000,000*l.* 519,319*l.* which sum is much more than sufficient to meet any deficiency in Mr. Young's estimate, and together with the 1,000,000 added already, fully proves that the remittances do not amount to so large a sum as 2,000,000*l.* - - - - - - - -	519,319
	l. 2,000,000

No. 7.

The following is an Abridgement of the report of the Committee. As it was too voluminous for insertion, such selections only have been made as are immediately applicable to establish the theory, and the Remedy of Depreciation.

YOUR Committee having reported to the House from time to time, the evidence and information laid before them, are now to report such observations and opinions as have occurred on the matters committed to their enquiry; and they will first proceed on the exchange between Great Britain and Ireland; which, for the clearer arrangement of so intricate a subject, they will consider under the following heads:

1st. As to the fact of an unfavourable exchange existing, and to what extent:

2d. As to the causes which have created it:

3d. As to the remedies which can be resorted to for either removing or alleviating the inconveniences arising from it.

To elucidate the first point, tables of the state of exchange, for a long series of years, between Dublin and London, have been produced by John Puget, Esq. from the books of his house. Accounts have also been obtained of the state of exchange between Belfast and London, for a few years past, differing from the former sometimes even so far as 10 per cent. but this difference is fully accounted for. In Belfast the bills of exchange are purchased by guineas, in Dublin by Bank of Ireland and other Banker's notes; and if the exchange between Great Britain and Ireland be stated as it actually exists, where guineas are the circulating medium, your committee would be inclined to think that the exchange is now, and actually has been, in favour of Ireland; but if it is to be estimated by the rates which prevail where paper is the cir-

culating medium, the exchange appears to be now, and to have been since 1798, uniformly against Ireland, and to have risen to a degree wholly unprecedented; the former they would call the real, and the latter the nominal rate, and the difference between them arises, as far as your Committee can form a judgment, *from the depreciation of the circulating paper.* They are the more induced to this opinion by observing, that the variations in the price of guineas in Ireland, or, in other words, the rate of the depreciation of the circulating paper, keeps pace in general with the difference between this real and nominal exchange. It is true, that some doubts have been entertained whether the price of guineas has not risen above their intrinsic value in consequence of their scarcity, occasioned, 1st, by the act imposing a restriction on their issue; 2d, by quantities being hoarded; and 3d, by the constant demand for them from the north of Ireland, where the payment of rents, purchase of linen, and almost all

money transactions, are carried on chiefly, if not solely, by specie; but if a person possessed of a guinea can get for it a guinea Bank of Ireland note, and also two shillings, and if the person who wants the guinea, is forced to give an addition to the Bank of Ireland Guinea note two shillings to obtain the gold, it seems evident that the paper being by so much of less value than the guinea, is by so much depreciated, more especially when exchange is the object of enquiry, which between any two countries is generally, if not always, estimated on the value of specie or bullion; and the guinea in England and in Ireland being the same coin current in each country, seems to be the true standard to which circulating paper should be referred for comparison of value. It is not to be supposed, that by any circumstances guineas can be rendered 10 per cent. higher in Ireland than in England, when the expence of conveying them from one country to the other does not amount to 1 per cent.; but further, the circulating

paper of Ireland seems equally depreciated when compared with a Bank of England note; for though a note of each Bank may profess to represent the same quantity of gold, the man who wants to obtain the latter will find the former as much inferior in value to it as it is to a golden guinea, and he must give the same additional sum to obtain it as to obtain the guinea.

The real exchange, that is, where the bills of exchange are paid for in specie, as in Belfast, having been stated to be in favour of Ireland, during the whole of the year, ending 5th January, 1803, your Committee will proceed to examine into the actual state of pecuniary transactions between the two countries during that year (full documents for the last year not having been delivered,) in order to see whether, upon the whole of all accounts for that year, England was to remit a balance to Ireland, or the reverse; and the investigation will satisfy those who think the state of exchange depends on the balance of

payments, that the rise in the Irish exchange cannot be accounted for on the principles of that balance.

Your Committee find on Mr. Puget's return, that in that year, after paying all charges and interest on the public debt of Ireland, due in London, he remitted to the Irish treasury the sum of 1,424,810*l.* on account of the surplus of 2,000,000*l.* British, borrowed in England, of money for lotteries, small re-payments for seamen, and other articles. They find, also, that the total balance of trade in favor of Ireland, calculated according to the current prices (and they do not think them over estimated) amounted in that year to 914,299*l.* making together the whole sum to be remitted to Ireland 2,342,109*l.*---against which there is to be set the probable amount of rents and income, and other charges for absentees, about 2,000,000*l.* to be remitted to Ireland, leaving a clear estimated balance in favor of Ireland of 342,109*l.*---but if that balance of trade be

computed upon the principle stated by Mr. Marshall as the proper one, it amounted, according to his account, to - - 1,816,814
instead of - - - - - - - - - - 917,299

and the difference - - - - - - 899,515
being added, will leave the balance so estimated in favor of Ireland, 1,241,624*l.* Your Committee are therefore corroborated by these statements, in the opinion which they have ventured to offer, that the real exchange not only was, but ought to have been, favorable to Ireland; and upon looking forward to the present year they see every reason to believe that it ought to be still more favorable during the course of it.

They estimate that the Account will stand nearly as follows:

Sums to be remitted from England between the 5th January, 1804, and 5th January, 1805.

On account of a Loan made in England for Ireland, of 4,500,000*l.* British, of lotteries, and small re-payments to the Irish Government 5,000,000 Irish

Sums to be remitted to England for same time.

Interest of the Irish debt, and charges payable in London, about or rather under - - 1,500,000*l.*

For Absentees, about - - 2,000,000*l.*

Making together - - - 3,500,000

and leaving a clear balance

of - - - - - - - 1,500,000 in favor of Ireland against England, exclusive

of all considerations of balance of trade; but there seems no reason to suppose that the balance thereof, which was 917,299*l.* by one calculation, and 1,816,814*l.* by another estimate in Ireland's favor, in the year stated, should so greatly differ as not only to cease to be favorable in that amount, but to absorb also the other balance of 342,109*l.* or of 1,241,624*l.* by the latter estimate. Mr. Coningham's testimony here has great weight; he thinks "that Ireland has paid every thing she owed, either in her exports or bills of exchange, which she drew on account of those exports, and that Ireland owes as little upon her trade now, in proportion to its extent, as she has owed any one period." Your Committee therefore do not hesitate to express their conviction, that the real balance of pecuniary transactions will be greatly in favor of Ireland this year, and consequently that the real exchange is and ought to be under par; of course they feel themselves compelled to seek, in other causes than the balance of

debt, for the exchange now subsisting between the two countries; and when they consider the length of time that it has continued, and its progressive rise above every thing before experienced, and also that it is unfavorable, not to the debtor but to the creditor country, they are led to the conclusion, that the balance of debt, so far as it has operated, has tended to lower an exchange, rendered unfavorable to Ireland by other causes.

THE CAUSES OF AN UNFAVORABLE EXCHANGE.

-------- "Under these circumstances the restriction passed in Ireland; and to the consequences of it your Committee must attribute the unfavorable exchange, and all the high and progressive advances of the rate.

It compelled the Bank to refrain from sending into circulation, gold, the only medium between the countries---it gave occasion to the great issue of paper which followed, to replace the gold so withdrawn, and removed at the same time the best and most effective check against the depreciation of that paper, namely, its convertibility into gold at the will of the holder---it tended to encourage an unlimitted and overabundant issue, by releasing the Bank from performing their engagements, and

have to observe, that so far from contracting their issues, in consequence of the unfavourable exchange, they have increased them, which the state of the exchange would have prevented them from doing, had there been no restriction to protect them from the obligation of paying their notes in cash.

The fact mentioned by Mr. Colville, of the excessive issue of paper in 1753 and 4, and the considerable rise of the exchange against Ireland which accompanied it, confirms the position, that excessive issues of paper produce a proportionate rise in the rates of the exchange; and your Committee are still further confirmed in this opinion, by observing, that the exchange immediately became favourable to Ireland, when the failure of the Dublin Banks, which ensued, had annihilated that excess of paper.

The reason is obvious, the nominal rates of exchange are influenced by the medium in which the payments are made, and the

quantity of that medium, necessary to effect a given payment, must be increased as the value of the medium diminishes. This must equally take place whether the payments are made in a degraded or adulterated coin, or in a depreciated paper.

There is a circumstance mentioned by Mr. Marshall, from Doctor Adam Smith, which happened in King William's reign, in the intercourse between London and Holland, which establishes the point, that a depreciated currency will not fail to affect the exchange. The British coin was at that time degraded in England 25 per cent. below its nominal value, and the computed exchange with Holland was 25 per cent. against England; but on the reformation of the coin the exchange fell to par. If paper, therefore, by depreciation comes to represent a less quantity of money than it professes to do, it must make the exchange, which it is to pay, appear unfavourable, in the same manner as coin, in which it were to be paid, would

have done, if by degradation it should cease to contain the same portion of gold which it used to do; and the removal of the degradation in the one case, and of the depreciation in the other, would have the same effect in bringing the exchange to par, or whatever might be its real state.

That this depreciation in Ireland arises almost entirely, if not solely, from an excess of paper, appears highly probable; and your Committee, in adverting to the issues of the Bank of Ireland, do not mean to decide whether the Directors of it might not have had strong reasons for their conduct; but they conceive it their duty to call the attention of the House to a matter of so much importance.

In March, 1797, when the restriction took place, their circulating paper amounted to between 600,000*l.* and 700,000*l.* and on the 1st of January, 1804, it was 2,986,999*l.*

From 1,000,000*l.* to 1,200,000*l.* of this

increased paper consisted of notes of 1*l.* up to three guineas, which, together with a small part of the issue for larger sums, may be considered as chiefly occupying the place of the guineas withdrawn; so that, if the whole of their paper in circulation, in January last, be divided into five parts, one will appear necessary as having existed prior to the restriction; two are to be set down as occupying the place of the gold withdrawn; and no sufficient reasons have been given for the issue of the remaining two parts, or for the Bank not having diminished its paper, when exchange rose, in the same manner as they must have done in case the restriction act had not been in force. The issues of the Bank of England afford a very different view. They were, on the average of three months to 25th March, 1797, 10,431,700*l.* whereof 268,500*l.* were 2*l.* and 1*l.* notes; and they were, on the 25th of January, 1804, 17,761,000*l.* whereof 4,711,150*l.* were 2*l.* and 1*l.* notes.

But your Committee are far from saying, that local considerations, and different circumstances at the moment, might not have had a separate influence on the two Banks; they would only add, that exchange began to rise in 1799, and that the circulation of the paper of the Bank Ireland was, as Mr. Colville states, *concomitant and extended with it*; and that upon comparing the issues of the Bank of Ireland with the rates of exchange, a strong presumption arises of the connexion between an increased issue and a high exchange. For in

March, 1797, The paper of the Bank was between - 6 & 700,000
And exchange in Dublin 5 ¼ to 6 ¾:

April, 1801, Paper was - - 2,266,000
Exchange rose from 11 ¾ to 13:

1st January, 1804, Paper was - 2,986,999
Exchange rose to 17 & 18.

THE REMEDIES OF AN UNFAVORABLE EXCHANGE.

THE great and effectual remedy to the high and fluctuating rates of the exchange, undoubtedly, would be the repeal of the restriction act, from whence all the evils have flowed; the common circulating medium being thereby restored, the rise of exchange above par would be limitted to the expence of transporting specie; and paper, being convertible into gold, its depreciation would be prevented. The expence and difficulty to which the Bank of Ireland and private Banks might be exposed, in the event of the restriction being taken off, under the present circumstances of the exchange, form, however, a strong argument against the sudden adoption of such a measure.

No other reason arising from commercial motives has suggested itself to your Committee for its continuance in Ireland; more

especially if the real exchange be favorable; as they have already stated, that it must be in their opinion; but as its continuance may be connected with political considerations, the discussion of which would involve your committee in a very extended and tedious enquiry, they abstain from entering into the general expediency of removing or continuing the restriction at the present time, or in any conjecture of the period when it may be expedient.

Such remedies, therefore, as may answer to give redress during its continuance, are next to be considered; and the great object of many of those which have been suggested, is the procuring a common circulating medium in the absence of guineas.

With this view, a consolidation of the two Banks of England and Ireland has been proposed, and supported with very plausible arguments by Mr. Burrowes; but its expediency seems rather problematical.

Other modes of obtaining a common

medium, such as that of inducing or even compelling the Bank of Ireland to give Bank of England notes in exchange for their own demand, or to make their own exchangeable for them in London, or to give bills of exchange on London for them, have been suggested; and there is no doubt any of them would have the effect of rectifying the exchange. The objection that has been made to this proposal, is the difficulty and expence to the Bank of Ireland which would attend the procuring a fund in London on which to draw. On this your Committee observe, generally, that neither the difficulty nor the expence attendant on this measure would be so great as that to which the Bank by its constitution is necessarily subject at all times when not protected by a restriction from performing its engagements; and whatever funds the Bank formerly applied, or intend again to apply, on the removal of the restriction to provide for the difficulty and expence of obtaining a supply of gold, might in the in-

terim be applied to the procuring of English Bank notes. The evidence of Mr. Winthrop points out the practicability of obtaining a sufficient supply of Bank of England notes with such a fund; his expression is, that "the Bank of Ireland or any person, may procure Bank notes now to any extent, if they will pay for them." But Mr. Mansfield's evidence so clearly shews the practical mode of carrying this measure into effect, that your Committee cannot impress it too strongly upon the attention of the House; it shews, in the example of Scotland, how effectually a very small sum, vigorously and wisely applied, did operate, and that the Banks there did establish an adequate fund with ultimate advantage to themselves.

His account states, that "there was, after the peace of Versailles, in 1763, an exchange of 5 or 6 per cent. against Scotland with London, created by persons collecting gold from the different Banks there, bringing it to London, and passing their bills at

Edinburgh for it, in order to put a profit into their own pockets by raising the exchange. The two chartered Banks of Scotland, seeing that this exchange arose from artificial means, collected as much funds as they could to bring to London, and by drawing gradually at a half or one per cent. less than the others, reduced the exchange to what they esteemed par bills of 40 days date;" at which it has steadily continued ever since, unaffected by the failure of the Bank of Ayr; the convulsions to credit in general in 1792, and 1793; the failures in 1795; and the difficulties which caused the restriction in 1797 in England, but which was not extended to the chartered Banks of Scotland; and all this notwithstanding the great presumption, that if an account of all pecuniary transactions between Scotland and England could be ascertained, it must have often happened, that the balance was against the one country or the other.

This fact gives great force to the arguments of those witnesses, who propose that

the Bank of Ireland should establish a credit for the like purpose in London; and the present peculiar situation of the Irish finances not only points out a ready, but an adequate and effective fund, which at the same time that it gives to the Bank of Ireland every prospect of success which has attended the measures of the chartered Banks of Scotland, exempts it from all expence, risk, or difficulty which might attend it; for your Commitee must observe, that the Bank of Scotland undertook to provide this fund at their own expence, but the Bank of Ireland has an opportunity of establishing it without expence to themselves; and further, it appears to have been suggested to the Banks of Scotland by their good sense and patriotism, to try the efficacy of a measure without precedent, while the Bank of Ireland has only to follow an example where success has been already demonstrated by experience.

Your Committee has stated, that the great Loan, and other smaller sums to be

remitted this year from England to the Irish government, amounts to 5,000,000*l.* Irish; they have also shewn, that there is reason to believe the mode used by the Irish treasury of bringing over the Loans from England has been prejudicial to the exchange; and the whole weight of evidence goes to shew, it could be much more advantageously managed by the Bank of Ireland; they therefore recommend that *immediate measures* should be taken with the Bank of Ireland for the purpose, and for their *establishing an effectual fund* in London for drawing on, whereby they may gradually reduce the exchange in the manner somewhat resembling that which was adopted by the Edinburgh Banks.

But all the benefits proposed by this mode of remedies would be of little avail, and of very limited duration, if it did not promise, at the same, time to cure the depreciation of paper in Ireland, by diminishing its over issue; a consequence which your Committee are firmly persuaded must fol-

low the Bank of Ireland's notes being made convertible into Bank of England notes, almost in the same manner as if the restriction ceased, and they were convertible into gold; for if the fund in London of the Irish Bank should be too rapidly drawn on at any time, they must limit their issue of notes to lessen the demand on that fund; their notes would of course lose their depreciation, and become of equal value with the English notes, into which they would be convertible, or in other words with guineas, while English notes shall be undepreciated; and your Committee do in express terms declare their clear opinion, *that it is incumbent on the Directors of the Bank of Ireland, and their indispensable duty, to limit their paper at all times of an unfavourable exchange during the continuance of the restriction, exactly on the same principle as they would and must have done in case the restriction did not exist*; *and that all the evils of an high and fluctuating exchange must be im-*

putable to them if they fail to do so. Your Committee have a proof of the effect which rendering Bank of England notes procurable in Ireland would have upon the exchange, by the great fall of it from Dublin on London, in the months of March, April, and May, 1797, when government passed Bank of England notes in Dublin; and this further benefit will attend the reduction of the quantity of their paper, that it will operate as a preparative for more speedily removing the restriction on the Bank, whenever other circumstances shall allow the measure to take place. Your Committee, however, do not wish to be understood as recommending the reduction of the paper of the Bank of Ireland, otherwise than cautiously and gradually.

Before your Committee quit the subject of exchange, they wish to observe, that if their enquiries have failed in enabling them to propose any effectual remedy, still a remedy ought to be sought for by the wisdom of the House; for that a great country, now placed as Ireland is, under the same legisla

ture with England, forming a constituent part of the United Empire equally as England, or any county in England does, its metropolis not so distant from London as any part of Scotland, Newcastle, Carlisle, or Durham, should labour in its pecuniary intercourse with England under a constant varying exchange, which the others are free from; that the intervention of a narrow sea, with regular daily packets and speedy means of mutual transport, should cause an incumbrance in the mutual interchange of money which does not exist where the distance by land is greater, and the communication by post not more frequent, nor more expeditious; that there should be no exchange; or an exchange, commuted for a regular number of days between Edinburgh, and Liverpool, and Bristol, with London, and that an exchange must exist, or is incapable of such commutation between Ireland and London; and that the evils which this long enquiry have investigated should be entirely without remedy, are positions so strange, that

your Committee cannot believe them to be founded in the common nature of things, and must impute to their own insufficient investigation, or want of sagacity, the not having pointed out an adequate remedy, if they have failed to do so. They will only add, with respect to the money drawn from Ireland, that remittances to absentees did exist before the restriction to a considerable extent, without producing an exchange constantly unfavourable; and that, if the high rates of exchange really operate as a tax on them, it does not appear politic or reasonable to continue any such tax, with a view to encumber the resort of any Irish subject to the seat of government, and to the deposit of his dernier resort of justice, more than that of any inhabitant of Scotland, or any county of England; and when it is considered, that, if in the natural order of things, undisturbed by such a measure as the restriction on specie, the remittances to absentees, by causing a balance of pecuniary intercourse against Ireland, would force an export from thence

wherewith to pay it, and restore the level, it may be fairly concluded, that the absentees, by bringing over their money to England, force the manufacture or produce to follow them, which, but for their coming, they would necessarily have caused to be used at home; the only difference is, that the produce or manufactures which their incomes naturally promote, would come to be consumed or used in England, in the stead of being consumed or used in Ireland; and thus the encouragement to the productive industry of Ireland may be said to operate in both cases; though certainly the non-residence of men of fortune on their estates, is, in many respects, a great and lamentable misfortune to the country.

On the other side of the account, with regard to the temporary influx of money to Ireland, from loans for Ireland in England, the temporary remittance of which has been said to operate as a set-off against the drain of the absentees, much as they may occasionally tend towards rendering the balance, and of course the exchange favor-

able, your Committee cannot recommend them as desirable on that account. It should be remembered, that the relief they afford is temporary, while the drain of interest and charges which they create is permanent, and the advantages which the loan of this year must produce to the exchange, by transmission, ought not to supersede resorting also to a diminution of paper, as a means of permanently rectifying the exchange. Their injurious effects go still farther; each loan, by supplying a means of paying any balance of debt due to England, interrupts the natural effect of that debt, to force export and check import, so as to allow the money accounts to right themselves, and produce the proper level; it also, by the same operation, encourages import, in providing a ready fund wherewith to pay for it; and it will appear from the papers before your Committee, that the imports of Ireland increased during the last five years, (in each of which a considerable loan was made) compared with the five preceding years, at the ave-

rage rate of 1,422,000*l.* the year, and the exports decreased during the same time, on a like average, in the sum of 239,000*l.* official value; while the average annual remittances for the Loans, including some small payments by Mr. Puget, during those last five years, was 1,406,000*l.* Your Committee feel with satisfaction, that this view of the injurious effects of the Loans from England, tends to dispel the gloomy prospect of the distressing and still more increased height of exchange, when public circumstances shall allow the system of Ireland's raising the larger portion of annual supply by such Loans, to be altered: the suppression of this system will then naturally tend to make her increase her exports and diminish her imports, and bring exchange to par.

ERRATA.

p. 4	l. 17	*after* examine, *read* " in comparison with."
6	9	pro ;—
60	17	*for* occured *read* occurred.
	44	*for* issue of new copper coinage, *read* issue of a new copper coinage.
78		*dele note.*

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